

CPA STRATEGIC: STRATEGIC CORPORATE FINANCE

Aim

The aim of this module is to develop students' critical understanding of the key responsibilities and financing decisions facing today's strategic financial manager. Students should be able to develop detailed business plans, to assess potential financial risks, and to advise on suitable risk management strategies for entrepreneurial activities as well as established organisations.

Strategic Corporate Finance as an Integral Part of the Syllabus

Strategic Corporate Finance develops the financial management knowledge and skills acquired by students in Managerial Finance and other disciplines acquired in the earlier examination stages. Strategic Corporate Finance requires students to integrate and expand that knowledge so as to provide a framework for strategic financial management analysis and decisions

Syllabus and Subject Dependencies

LEVEL	SUBJECT					
CPA Foundation	Financial Accounting	Management Fundamentals	Taxation		Management Accounting	
CPA Professional	Financial Reporting	Corporate Law	Advanced Taxation	Audit & Assurance	Performance Management	Managerial Finance
CPA Strategic	Advanced Financial Reporting	Strategy & Leadership	Advanced Tax Strategy	Advanced Audit & Assurance	Data Analytics for Finance	Strategic Corporate Finance

Minimum Intended Learning Outcomes

On successful completion of this module, students will be able to:

- Evaluate the financial objectives of an organisation and explain how they are determined and interrelate with the non-financial objectives and stakeholder interests.
- Discuss the legal regulations and the professional and ethical considerations facing financial managers.
- Value shares / businesses in the context of a proposed merger, acquisition or management buyout.
- Analyse the factors associated with corporate failure in order to predict its likelihood and to provide advice on actions that will prevent its occurrence.
- Evaluate and advise as to the optimum capital gearing structure, term structure and dividend policy for an organisation.
- Advise as to appropriate exchange risk and interest rate risk management strategies, and discuss the use of derivatives in long-term risk management.
- Discuss the relevance of portfolio theory and the Capital Asset Pricing Model for financial managers.
- Prepare a business plan for an organisation, given prescribed information.
- Evaluate the financial management of an organisation over a period of time relative to its competitors and industry norms.

Indicative Syllabus

		Competency Level
The Financial Environment	<ul style="list-style-type: none"> Financial objectives in strategy Stakeholders Corporate social responsibility Agency Theory Professional, regulatory and legal framework Monetary regulation Treasury management The Efficient Market Hypothesis 	3 3 3 3 3 3 3 3
Mergers and Acquisitions	<ul style="list-style-type: none"> Mergers and acquisitions – overview M&A procedures Valuation of an organisation Value gaps Financing mergers and takeovers Defence tactics Legal and financial due diligence Management buy outs Privatisation of quoted companies 	3 3 3 3 3 3 3 3 3
Sources of Finance	<ul style="list-style-type: none"> Equity and debt financing Short, medium and long-term funding Gearing structure Modigliani and Miller's theory of corporate financing Capital structures Dividend policies 	3 3 3 3 3 3
Financial Risk Management	<ul style="list-style-type: none"> Key financial risks Currency risk Foreign exchange markets Foreign exchange and interest rates Forward exchange contracts Money market hedges Exchange rate risk management strategies Interest rate risk management strategies Long-term exposure to foreign currency risk 	2 2 2 2 2 2 2 2 2
Cost of Capital	<ul style="list-style-type: none"> Risk and return Weighted average cost of capital Portfolio diversification Portfolio theory Capital asset pricing model 	3 3 3 3 3
Financial Analysis and Business Planning	<ul style="list-style-type: none"> Long-term business planning Capital investment appraisal Business plan evaluation Assessment of financial position Competition and industry norms Key financial management indicators Benchmarking 	3 3 3 3 3 3 3
Fintech	<ul style="list-style-type: none"> The future of fintech Data monetization Crypto technologies Regulation 	2 2 2 2

Learning Guide

The financial environment

- Summarise financial objectives within the strategic planning process
 - Identify key stakeholders of organisations and examine the interests of each stakeholder group
 - Discuss Corporate Social Responsibility and assess its relationship to the objective of maximising shareholder wealth
 - Explain agency theory and evaluate its relevance to financial managers
 - Outline the professional, regulatory and legal framework relevant to financial management including: The City Code and stock exchange requirements, money laundering, directors' responsibilities
 - Examine monetary regulation in the US and EU and its effect on Capital Markets
 - Identify and discuss the key activities undertaken by treasury managers
 - Summarise the advantages and disadvantages of centralised treasury management.
 - Evaluate the Efficient Market Hypothesis and compare various forms of efficiency
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Mergers and Acquisitions

- Describe organic and acquisitive corporate growth
 - Critically analyse proposed mergers and acquisitions
 - Describe procedures to be complied with during an acquisition
 - Establish the valuation of an organisation in the context of a potential takeover using the earnings and asset-based methodologies, and market-based multiples
 - Summarise the significance of Value Gaps and the information efficiency of capital markets
 - Propose methods of financing mergers and takeovers, including cash, debt, equity and hybrids.
 - Appraise defence tactics used during a potential hostile takeover
 - Explain the role of legal and financial due diligence during a merger/acquisition
 - Discuss the benefits and risks associated with Management Buy Outs (MBOs) and evaluate the sources of finance for MBOs
 - Explain the advantages and disadvantages of management buy-ins (MBIs)
 - Summarise the arguments for and against a quoted company going private
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Sources of Finance

- Compare and contrast equity and debt financing. Explain the attractions and risks associated with each
 - Identify the sources of short-term, medium-term and long-term funding
 - Summarize Modigliani and Miller's theory of corporate financing in perfect capital markets
 - Generalise the optimum capital structure of a firm in an imperfect market
 - Explain Modigliani and Miller's theory of dividend irrelevance in perfect capital markets
 - Illustrate the signalling and the clientele approaches to dividend policy
 - Discuss the influence of taxation on dividend policy
 - Assess and summarize other key considerations in financing including the Pecking Order Theory (Myers and Majluf), agency costs, and financial distress and bankruptcy costs
 - Analyse various dividend payment policies including cash and stock dividends, and the use of share repurchase schemes
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Financial Risk Management

- Evaluate the key financial risks facing an organisation including exchange rate (currency) risk and interest rate risk
 - Identify different currency risks including transaction, translation and economic exposure
 - Discuss strategies to mitigate currency risks including the use of money market instruments, financial derivatives, and other methods including netting, leading and lagging
 - Show the workings of the foreign exchange markets
 - Discuss the relationship between foreign exchange rates, interest rates, and inflation in different countries
 - Explain various ways of managing interest rate risk including the use of options, swaps, forwards, futures and swaptions.
 - Appraise long-term economic exposure of a firm to foreign currency risk and evaluate steps to mitigate such exposure
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Learning Guide contd.

Cost of Capital

- Interpret risk and return and discuss the relationship between risk and return
- Discuss the factors impacting on the cost of equity capital
- Calculate the Weighted Average Cost of Capital (WACC) and discuss its uses and limitations
- Discuss portfolio theory and examine different risk-return profiles arising from various combinations for asset allocation and explain the relevance of the efficient frontier approach
- Explain the Capital Asset Pricing Model (CAPM) and discuss its assumptions, applications, and limitations

Financial Analysis and Business Planning

- Prepare long-term business plans from prescribed information
- Appraise capital investment options using NPV, IRR and Payback criteria
- Evaluate business plans from the perspective of an equity investor or provider of debt
- Evaluate an organisation's current financial position
- Compare and evaluate the financial management of an organisation with that of competitors and industry norms
- Prepare, evaluate, and discuss key financial management indicators based on the published financial statements of an organisation
- Benchmark selected financial KPIs against companies in the same industry sector

Emerging Technologies in Finance

- Define Fintech and describe the evolution of fintech; recognise the potential impact of Fintech on financial intermediation (savings and credit) and digital currencies
 - Discuss the potential impact of Fintech on payments, clearing and settlement services, and money creation
 - Contrast TechFin from FinTech and describe opportunities and regulatory challenges brought about by data-driven finance
 - Appraise blockchain (Distributed Ledger) technology and its types including public and private systems
 - Recognise the potential application of DL technology in various business issues including smart contracts and supply chain management
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Learning Resources

Core Texts

Arnold / Corporate Financial Management 6th Edition/ Pearson 2019 / ISBN-13: 978 12922140445.

Manuals

Griffith College, CPA Strategic Level - Strategic Corporate Finance (Latest edition)

Supplementary Texts and Journals

Power, Walsh and O Meara 3rd ed / Financial Management / An Irish Text, Gill and Mc Millan / 2009 / ISBN-13: 978-0717145546

Pilbeam / Finance and Financial Markets / 4th edition McMillan 2018 / ISBN-13: 978-1137515629.

CPA Students' eBulletin

Harvard Business Review

Investment International

Accounting & Business

Accountancy Plus

Arner, D., Barberis, J., and Buckley, R., 2019. The Evolution of Fintech: A New Post-Crisis Paradigm? Available at SSRN: <https://ssrn.com/abstract=2676553>

Pilkington, M., 2015. "Blockchain Technology: Principles and Applications". Available at SSRN: ssrn.com/abstract=2662660

Thakor, A., 2020. Fintech and banking: What do we know? Journal of Financial Intermediation 41, 100833.

Zetsche, D., Buckley, R., Arner, D., Barberis, J., 2017. From FinTech to TechFin: The Regulatory Challenges of Data-Driven Finance. Available at SSRN: <https://ssrn.com/abstract=2959925>