

## Module 6

### 6.6.1. Strategic Financial Management

<b>Module title</b>		Strategic Financial Management								
<b>Module NFQ level (only if an NFQ level can be demonstrated)</b>		9								
<b>Module number/reference</b>		MA06								
<b>Parent programme(s)</b>		Master of Arts in Accounting and Finance								
<b>Stage of parent programme</b>										
<b>Semester (semester1/semester2 if applicable)</b>		Semester 1								
<b>Module credit units</b>		ECTS								
<b>Module credit number of units</b>		10								
<b>Duration of the module</b>		One Academic Semester, 12 Weeks Teaching.								
<b>Average (over the duration of the module) of the contact hours per week</b>		6								
<b>Analysis of required learning effort</b>										
<b>Effort while in contact with staff</b>										
<b>Classroom and demonstrations</b>		<b>Mentoring and small-group tutoring</b>		<b>Other (specify)</b>		<b>Directed e-learning (hours)</b>	<b>Independent learning (hours)</b>	<b>Other hours (specify)</b>	<b>Work-based learning hours of learning effort</b>	<b>Total effort (hours)</b>
<b>Hours</b>	<b>Minimum ratio teacher/learner</b>	<b>Hours</b>	<b>Minimum ratio teacher/learner</b>	<b>Hours</b>	<b>Minimum ratio teacher/learner</b>					
48	1:40	24	1:20				178			250
<b>Allocation of marks (within the module)</b>										
						<b>Continuous assessment</b>	<b>Supervised project</b>	<b>Proctored practical examination</b>	<b>Proctored written examination</b>	<b>Total</b>
<b>Percentage contribution</b>						30 %			70	100%

## Minimum intended module learning outcomes

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

**MIMLO 6.1** Demonstrate an understanding of the role and responsibility of the corporate entity in implementing investment and financial decisions on behalf of key stakeholder groups.

**MIMLO 6.2** Critically evaluate advanced investment appraisal, treasury management, corporate reconstruction and risk-management techniques and assess their applicability to a range of problems and situations.

**MIMLO 6.3** Evidence an ability to take strategic business decisions, weigh up their ethical consequences, and critically discuss their implications for the value of the firm.

**MIMLO 6.4** Discuss and critically evaluate emergent issues – both national and international - in corporate financial strategy.

## Module content, organisation and structure

### Indicative Syllabus:

#### 1 Role and Responsibility towards Stakeholders

- *Conflicting stakeholder interests*: Separation of ownership and control, transaction cost economies and comparative governance structures, agency theory, emerging governance structures and critical assessment of alternative corporate governance codes
- *Role and responsibility of senior financial executive / advisor*: The interaction of the investment, financing and dividend decisions, the growth in importance of financial risk management and the corporate ethical dimensions encountered in global business
- *Impact of social and environmental issues on corporate objectives and on governance*: Sustainability, carbon-trading economy and emissions, environmental audits and the triple bottom line approach
- *Financial strategy formulation*: The capital structure decision, dividend policy formulation, risk identification, risk assessment, risk mapping and risk response
- *Ethical issues in financial management*: Ethical frameworks, identification of ethical financial related issues and formulation of a proposed resolution (if possible)

## 2 Advanced Investment Appraisal

- *Discounted cash flow techniques:* NPV, IRR, MIRR, ARR, FCF, inflation, taxation, capital rationing (single period and multi-period)
- *Cost of capital:* Systematic application of advanced cost of capital models including CAPM
- *Impact of financing on investment decisions and adjusted present values:* Pecking order theory, static trade-off theory, APV, Monte Carlo simulation, Value at Risk (VaR)
- *Application of option pricing theory in investment decisions:* Black Scholes / option pricing model and alternative models for valuation of options, real option archetypes
- *International investment and financing decisions:* calculation of project value under complex conditions of multi-currencies, international transfer pricing and multiple tax rates
- *Exchange controls models (Fixed, Floating, Managed, Pegged Systems etc.):* translation risk, transaction risk and economic risk
- *International financing:* The various sources and types of finance for FDI and the impact of taxation and exchange risk on the investment decision
- *Impact of capital investment on financial reporting:* Alternative financing strategies, double taxation, translation risk

## 3 Acquisitions and Mergers

- *Acquisitions and mergers versus other growth strategies:* strategic motives for acquisition, criteria for choosing a target, reasons for failure of an acquisition /merger
- *Synergies & shareholder wealth maximisation:* Financial synergy, cost reduction synergy, revenue enhancing synergy and new strategic options resulting from a merger/acquisition
- *Valuation for acquisitions and mergers:* Type 1, Type 2, Type 3, book value plus models, market relative models, cash flow models including EVA, valuing high growth start-ups both in theory and in practice, assessing the relative merits of and the strategic issues involved in high profile takeover attempts, (e.g. the bid for Aerlingus by Ryanair).
- *Regulatory framework and processes:* Shareholder versus stakeholder models, City Code, defensive tactics (pre-offer and post-offer defences) comparing and contrasting shareholder oriented models with stakeholder oriented models of regulation
- *Financing acquisitions and mergers:* cash versus equity swap, assessing the impact on key financial performance measures of various forms of consideration.

## 4 Corporate Reconstruction and Re-Organisation

- *Predicting corporate failure:* Systematic application and critical evaluation of financial distress models using multivariate analysis (Z, scores e.g.: Altman, Taffler, Koh and Killough, Zeta scores), models in emerging markets, Compare / contrast the effectiveness of such models in the current economic environment and alternative A score models such as that proposed by Argenti
- *Financial reconstruction:* Evaluate and/or recommend reconstruction scheme proposals and assess the impact on the potential future financial performance of the reconstructed corporate entity in addition to assess the impact of the reconstruction scheme on key stakeholders and providers of capital and other stakeholder groups
- *Business reorganization:* unbundling strategies (divestment, spin-off etc.), motives and relative merits of re-organisation, assessment of the relative merits of management buy-out, and management buy-in

## 5 Treasury and Advanced Risk Management Techniques

- *The role of the treasury function in multinationals*: Money markets, financial institutions, money market instruments, liquidity management, shareholder value and management of risk exposure
- *The use of financial derivatives to hedge foreign exchange risk*: OTC versus exchange traded products, forwards, synthetic foreign exchange agreements, futures, currency swaps, FOREX swaps, currency options, bilateral and multilateral netting
- *The use of financial derivatives to hedge against interest rate risk*: FRAs, futures, swaps, options on FRAs & exchange traded options including caps and collars
- *Other forms of risk*: political, cultural, credit, economic, fiscal and regulatory risk, mitigation strategies, credit rating agencies, spread estimation, option pricing models and default risk
- *Dividend policy in multinationals*: dividend capacity and alternative dividend policies, (including share repurchases), and the impact of taxation on the dividend decision
- *Transfer pricing*: Various transfer pricing policies and the financial implications on global tax liabilities arising under different transfer pricing mechanisms

## 6 Economic Environment for Multinationals

- *Management of international trade and finance*: theory and practice of free trade, managing trade barriers, tariff and non-tariff barriers, trade agreements and common markets, the role and effectiveness of the WTO in the promotion of global free trade in the current economic environment.
- *Global financial markets*: The roles and effectiveness of the WTO, the IMF, the World Bank, the Federal Reserve, the European Central Bank and the Bank of Japan in attempts to stabilise the global economy in addition to an understanding of global debt and financial development of emerging economies demonstrating an ability to discuss the problem of debt contagion for the world economy
- *Strategic business and financial planning for multinationals*: Compliance with national governance requirements, capital mobility, agency issues and the complexities created by national limitations for multinational companies

## 7 Emerging Issues

- *Developments in world financial markets*: removal of barriers to the free movement of capital, international regulations on money laundering
- *Financial engineering and emerging derivative products*: latest derivative products, risks associated with derivatives, Value at Risk (VaR), scenario analysis and stress testing
- *Developments in international trade and finance*: New agreements, trade talks and implications for the international and multinational companies.

### Reading lists and other information resources

Title	Author	Publisher	Year
<b>Essential:</b>			
Corporate Finance and Valuation	Bob Ryan	Thompson Press	2006
P4: Advanced Financial Management		BPP Learning Media	2017
Multinational Finance	Adrian Buckley	FT Prentice Hall	2007

An Introduction to Capital Markets	Andrew Chisholm	Wiley Finance	2007
<b>Recommended:</b>			
Financial Management for International Business	Demirang & Goddard	McGraw Hill	2004
The Revolution in Corporate Finance	Stern & Chew	Blackwell Publishing	2003
Valuation – Measuring and Managing the Value of Companies	Koller, Goedhardt & Wessels	Wiley	2005
Principles of Corporate Finance, 8 <sup>th</sup> Edition	Brealey, Myers & Allen	McGraw Hill	2006
Corporate Finance and Investment	Pike and Neale	Financial Times Press	2006

## REFERENCE:

### Journals:

Journal of Risk Finance

Journal of Finance

Journal of Economics and Finance

Journal of Applied Corporate Finance

Journal of Corporate Finance

Web Resources

[www.bloomberg.com](http://www.bloomberg.com)

[www.ft.com](http://www.ft.com)

[www.economist.com](http://www.economist.com)

[www.pwc.com](http://www.pwc.com)

[www.kpmg.com](http://www.kpmg.com)

[www.ey.com](http://www.ey.com)

[www.deloitte.com](http://www.deloitte.com)

[www.finfacts.ie](http://www.finfacts.ie)

### Professional Magazines

Financial Management (CIMA)

Student Accountant (ACCA)

Accounting and Business ACCA

Accountancy Plus (CPA)

Accountancy Ireland (ICAI)