

MBA F721 C01
Mergers, Restructuring, and Corporate Control
Fall 2020 Course Outline

Finance Area
DeGroote School of Business
McMaster University

COURSE OBJECTIVE

This is an advanced Corporate Finance course, which builds on your previous learning in the areas of Financial Management and Investments. The purpose of this course is to provide you with the tools to analyze, evaluate and design corporate restructuring programs, including mergers, acquisitions, LBOs, MBOs, leveraged recaps, and stock repurchases.

INSTRUCTOR AND CONTACT INFORMATION

Mon 14:30 – 17:20
Dr. Rahman Khokhar
Instructor
khokhaar@mcmaster.ca
Office: Virtual
Office Hours: Virtual and by appointment only.

Class Location: Online

Student TA
Qiao Wang
Virtual Office Hours: TBA
E-Mail: wangq31@mcmaster.ca

COURSE ELEMENTS

Credit Value: 3	Leadership: Yes	IT skills: No	Global view: Yes
Avenue: Yes	Ethics: Yes	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group work: Yes	Oral skills: Yes
Evidence-based: Yes	Experiential: Yes	Final Exam: No	Guest speaker(s): May be

COURSE DESCRIPTION

This course examines the various forms of corporate restructuring, and how restructuring affects corporate values and control issues. Restructuring is broadly defined, and includes restructuring of liabilities (e.g., leveraged recapitalizations, LBOs), restructuring of assets (e.g., acquisitions, divestitures), or both (e.g., mergers accompanied by changes in capital structure). Important components of the course include valuation of a corporation and its securities (debt and equity), theoretical rationales for and empirical evidence on restructuring of assets and liabilities, and specific topics such as LBOs and stock repurchases. The course should be of interest to students planning careers in corporate finance and investment banking.

This is an advanced corporate finance course. It requires familiarity with number crunching and a solid understanding of the concepts of introductory finance, particularly capital budgeting and capital structure. The material includes a substantial amount of theory, and numerical examples are very important in illustrating the concepts to be covered in this course. The format will be predominantly synchronous and/or video lectures, supplemented by a set of cases. Class participation is strongly encouraged.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- analyze the effect of any type of corporate restructuring on firm value;
- analyze the effect of corporate restructuring on the components of firm value – equity and debt;
- analyze how restructuring affects corporate control; and
- design a financing package for a restructuring proposal.

REQUIRED COURSE MATERIALS AND READINGS

Avenue registration for course content, readings and case materials

- <http://avenue.mcmaster.ca>

Takeovers, Restructuring, and Corporate Governance (4th Edition) by J. Fred Weston, Mark L. Mitchell and J. Harold Mulherin, Pearson Educational International (hereafter WMM); ISBN 0131407376.

- Highly recommended; available at the bookstore.

Custom Courseware

- Required; Purchase instructions: TBA

EVALUATION

All work will be evaluated on an individual basis except for case reports where group work is expected. For these case reports, group members will receive the same grade. Your final grade will be calculated as follows:

Components and Weights

Online Test 1 (week 4)	(Individual)	30%
Online Test 2 (week 7)	(Individual)	30%
Online Test 3 (week 10)	(Individual)	30%
Case Report & Presentation	(Group)	10%
Total		100%

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

Grade Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

COMMUNICATION AND FEEDBACK

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degrotee.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Zoom, WebEx, Microsoft Teams, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

ON-LINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, Zoom, WebEx or Microsoft Teams for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students' access to these platforms.

MISSED ACADEMIC WORK

Missed Online Tests / Class Participation

Where students miss a regularly scheduled online tests or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroote website at <http://mbastudent.degrotee.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be

made to the Student Experience – Academic (MBA) office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

Missed Final Examinations

This course has no final exam.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office ***normally within 10 working days*** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA F721 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

ADDITIONAL GUIDELINES

Group Assessments

You will be assigned into a group (4 to 6 members each) by the instructor. During classes where groups are making presentations attendance will be taken. Each member is expected to actively participate in the group project work. Further details regarding the group case report and presentation will be provided at the time cases are assigned. There will be no extensions granted to Group Case Report or Presentations due dates. Failure to submit a group report or presentation on time will result in a mark zero (0) FOR ALL MEMBERS.

Avenue to Learn (A2L) Online Tests

There are three online tests in this course which account for **90%** of your final grade. The exam will cover material from the text book, readings, lectures and class discussion. These online tests will **NOT** cover case content material. These are **open-book** tests including multiple choice and short concept questions as well as problems.

- Students will need to sign in to A2L *quizzes and tests* within the limited time window allowed. Failing to sign in during the permitted time will result in missing the test with a mark of zero.
- The online test *may require video monitoring* of students during the length of the exam using university recommended software and students are expected to have access to a webcam, headset, and mic.
- Students will only be provided *one attempt* for each A2L online test and *must avoid “submit exam” while moving to the next page*. Such early submissions will be marked as is and *no additional attempt* will be provided. If a student is unable complete online test due to technical issues (such as screen freezing, power outage, etc.), student must contact the Student Experience – Academic (MBA) office immediately.
- Using any *unauthorized material or assistance* during an online test is strictly prohibited and is an academic dishonesty offence under the Academic Integrity Policy.

COURSE SCHEDULE

WEEK	DATE	ASSIGNMENT
1	Mon. Sept. 14	Introductions and Course Syllabus Fundamentals of Investment Banking
2	Mon. Sept. 21	Capital Budgeting
3	Mon. Sept. 28	Capital Structure
4	Mon. Oct. 5	Online Test 1 Agency Problems
5	Mon. Oct. 12	Signaling
6	Mon. Oct. 19	Basics of M&A
7	Mon. Oct. 26	Valuation
8	Mon. Nov. 2	Online Test 2 Valuation (Contd.)
9	Mon. Nov. 9	Corporate Restructuring
10	Mon. Nov. 16	Corporate Restructuring (Contd.)
11	Mon. Nov. 23	Leverage Buyouts (LBOs); Stock Repurchases Merger Arbitrage*
12	Mon. Nov. 30	Online Test 3 Case Guidelines
13	Mon. Dec. 7	Case Presentations

*Some topics may only be covered subject to time availability.