F721 C01. Mergers, Corporate Finance and Control
Fall 2026 Course Outline
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.

The coursework will be completed by means of lectures and assignments (including group assignments)

INSTRUCTOR AND CONTACT INFORMATION

Section 1: Wed 08:30 – 11:20
Vikram Iyer, CFA
Instructor
Email: iyerv2@mcmaster.ca
Office: TBA
Office Hours: after class

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
A2L:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	Yes	Guest speaker(s):	Yes

COURSE DESCRIPTION

Provides an opportunity to learn about investment and financing. The investment decision allocates scarce resources to projects in the organization and involves asset valuation, capital budgeting, risk management, working capital management and performance assessment. The financing decision chooses sources of cash to finance the investment decisions and involves capital structure, financial instruments, the risk-return trade-off, financial planning and the cost of capital. Ethical considerations and management in the global context are integrated into these topics

This course serves as a useful introduction to the Chartered Financial Analyst (CFA) curriculum (http://www.cfainstitute.org).

LEARNING OUTCOMES

The key objective is to educate students in the art of financial statement interpretation (FSI) and its applications in credit analysis and business valuation. By nature, the course is extremely applied and students will appreciate the thought processes credit and equity analysis go through in their daily analytical works. FSI forms an integral part of credit analysis and business valuation because it provides the basis of estimating the future cash flows of the company and assessing their risk. We use FSI also to compare companies and provide benchmarks of performance.

The skills imparted in this course are an essential element of those required by anyone who must read and interpret financial statements of corporations, conduct corporate financial forecasts and make investment analysis and recommendations. Anyone who desires to learn how to read and use corporate financial statements intelligently and uncover the economic realities and financial conditions of the company will benefit considerably from this course.

The work we do is applied case studies. At the end of this course, students should be able to:

• Analyze the performance of companies in the context of their businesses, corporate structures, allowing for strategies and adjusting for accounting differences.

• Evaluate business and financial risks that affect their credit standing and valuation.

• Value a business using discounted cash flow and accounting-based techniques.

A major theme of the course is valuation, including the valuation of corporate investments and valuation of corporations (corporate assets). Valuation can be accomplished by estimating future cash flows, assessing their risk and the determination of the appropriate discount rate. You will apply the time value of money techniques and the models of risk and return studied in Capital Markets to the valuation of investment opportunities, common stock and businesses. We will study various valuation models

COURSE MATERIALS AND READINGS

Required:

Note that the course will focus mainly on discussion related to class slides (and their applications) and the reading materials are mainly for reference, particularly for students who need extra refreshers on the subject matters. Course materials includes a combination of class slide presentations, selected chapters from recommended reference books and selected articles and commentaries in the course material database.

Recommended readings:

The custom books are designed specifically for students who may need help and refreshing of financial accounting concepts and financial theories behind equity valuation. Students who are confident that they have a good understanding of the topics are not required to purchase either of the books as this is a practical course and the materials required to understand and apply for course works are all contained in class slide presentations and other materials discussed in class.

The following recommended textbooks are available for purchase from the York University Bookstore (http://bookstore.blog.yorku.ca):

1. For Financial Accounting Concepts: "Corporate Finance Analysis", Selected materials from: "Financial Reporting and Analysis", by Lawrence Revsine, Daniel W. Collins, Bruce Johnson, Fred Mittelstaedt and Leonard Soffer, 8th edition, ISBN# 9781260247848, published by McGraw Hill (MGH Custom Book)

2. For Equity Valuation: Selected chapters from: "Damodaran on Valuation", by Aswath Damodaran, 2nd edition. ISBN# 978-1-11930-142-4, published by John Wiley & Sons. (Wiley Custom Book)

Suggested book

Koller, Tim / Goedhart, Marc / Wessels David / McKinsey & Company, Valuation: Measuring and Managing the Value of Companies, 7th Edition, John Wiley & Sons, Inc., May 2020, ISBN: 978-1-119- 61092-2 (Valuation)

Fundamentals of Corporate Finance packaged with Connect; Tenth Canadian Edition, by Ross, Westerfield, Jordan, Roberts, Pendes, and Holloway (referred to as **Ross 10CE** throughout for brevity, although **RWJR** may also be used at times) published by McGraw-Hill, 2019

The course management system is "Avenue to Learn", where all information and materials specific to this course will be posted.

Daily reading of the business section of *The Globe & Mail* or the *National Post* is also a requirement. Examination questions may require students to relate financial concepts to current events. The *Financial Times*, the *Economist* and the *Wall Street Journal* are useful sources.

Calculator: Every student must have a hand-held calculator that has Time Value of Money functions and you will need to be able to use your calculator effectively. The Texas Instruments BAII Plus (instructor-supported) or the Hewlett Packard HP10 (not instructor-supported), are good choices. (Look for a calculator that has the following keys: N, I or I/Y, PMT, PV, FV, CF, IRR and NPV).

EVALUATION

Learning evaluation is based on a combination of exams, assignments, project, and participation. The instructor reserves the right to adjust the weights for more or less materials covered during the semester. Students will be encouraged to think, analyze, evaluate, and problem-solve, not memorize. Your performance will be evaluated on both individual and group (if needed) basis. Your final grade will be calculated as follows:

Assignment/Task	Quantity	% Weight	Total %	Author
Midterm exam	1	35	35	Individual
Mid Term Assignment	1	5	5	Group
Industry Analysis Report	1	20	20	Group
Final Term Assignment	1	5	5	Group
Final exam	1	35	35	Individual
			100%	

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

http://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+	77-79	9
B	73-76	8

B-	70-72	7
F	00-69	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.degroote.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

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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.

ONLINE COURSE COMPONENTS

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, 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.

ONLINE 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, WebEx or Zoom 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.

POLICY FOR APPROVED MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation
Please do not use the online McMaster Student Absence Form (MSAF) as this is for Undergraduate students only. The MBA program will not accept an MSAF.

When students miss regularly scheduled term work which contributes 10% or more to the final grade, for legitimate reasons as determined by the Student Experience – Academic Office (SEAO), the activity necessary to compensate for the missed work will be determined by the course instructor. The compensatory activities assigned will vary with the nature of the course and the missed requirement. They include, but are not restricted to, an alternative assignment, a rescheduled midterm exam, or re-weighting the marks for the missed component to other mark components. Documentation explaining such missed work must be provided to the SEAO within five (5) working days of the scheduled date for completion of the work.

Acceptable reasons for missed work, along with the Petition for Missed Term Work and the MBA Student McMaster University Student Health Certificate, can be found on the DeGroote MBA Student website (mbastudent.degroote.mcmaster.ca). Please direct any questions about acceptable documentation to the MBA Academic Advisors (askmba@mcmaster.ca).
University policy states that a student may submit a maximum of three (3) Petition for Missed Term Work per academic year, after which the student must meet with the Director of the program.
If term work is missed without an approved reason, students will receive a grade of zero (0) for that component.
Missed Final Examinations Students must be available for the duration of the posted exam period regardless of their personal exam schedule. This is to ensure student availability throughout the entire exam period in the event that an exam must be rescheduled due to unforeseen circumstances (university closure, power outage, storm policy, etc.).
A student who misses a final Examination without valid reason will receive a mark of 0 on the examination.
Students who have missed a final exam for a valid reason can apply to the SEAO to write a deferred examination by submitting an Application for Deferring a Final Exam with supporting documentation. The application must be made within five days of the scheduled exam date or the application may be denied.

The Application for Deferring a Final Exam and the MBA Student McMaster University Student Health Certificate can be found on the DeGroote MBA Current Student website (mbastudent.degroote.mcmaster.ca).

Deferred examination privileges, if granted, are normally satisfied during the examination period at the end of the following semester. In select cases, the deferred examination may be written at a time facilitated by the SEAO and agreed to by the course instructor.
Requests for a second deferral or rescheduling of a deferred examination will not be considered.
Failure to write an approved deferred examination at the pre-scheduled time will result in a zero (0) mark for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript.

STUDENT ACCESSIBILITY SERVICES

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

ACADEMIC ACCOMMODATION FOR 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 MODIFICATIONS 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

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in 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.

COURSE SCHEDULE

F721 C01. Mergers, Corporate Finance and Control

Class	Coverage, Readings and Deliverables
Class 1 Sep 14	**Financial Statement Interpretation (FSI)** **Introduction to Financial Statement Analysis, Corporate Structure and Course Overview** Class Coverage: • Why do accounting figures often not an accurate indicator of a company's economic reality?

	• What is financial statement interpretation and why is it important to adjust financial statements to reflect the company's true economic reality? • What are the differences in perspective between credit and equity analysts? FSI Methodology – Balance Sheet Analysis – Short Term Assets Class Coverage: • Understand accounting policy alternatives available to management on each short term asset item. • How do management choices affect reported figures? • What adjustments should analysts make to reflect companies' economic reality? **Corporate Value Maximization Objective** **Performance Measurement** • Brief Overview of DuPont Analysis and EVA • Entire Overview of what is to come in the term **Optional Reads:** 1. Library - The Imprecise World of Accounting by Hans Hoogervorst, IASB 2. Ch. 8 (Receivables) & 9 (inventories), MGH Custom Book. 3. Review Nutrien's* Annual Report 2023 – Balance Sheet and related notes on short-term assets * 2023 Annual Report of Nutrien Limited is available at company website: https://nutrien-prod-asset.s3.us-east-2.amazonaws.com/s3fspublic/uploads/2023-03/2023%20Nutrien%20Annual%20Enhanced%20Report.pdf or at www.sedar.com 4. **Case Overview for Self Read:** Ben and Jerry's Homemade **Read:** • Chapter 1
Class 2 Sep 21	**FSI – Balance Sheet Analysis – Short Term Assets (Continued)** Class Coverage: ▪ Understand accounting policy alternatives available to management - Accounting and adjustments. ▪ How do these policies affect performance measures and what adjustments do analysts need to make? **Cash Flow Identity and Free Cash Flow** • Cash flow from Assets (Free Cash Flow), • Cash flow to Creditors and Shareholders • Net Capital Spending • Change in NWC and Cash Flow from Assets **Financial Planning and Forecasting:** • Financial Planning: A Simple Model • The Percentage of Sales Approach • External Financing Needed (EFN) and Growth **Optional Reads:** **Case Discussion:** FedEx vs UPS

<table>
<tr><td></td><td>Review Nutrien’s Annual Report 2023 – Balance Sheet and related notes

Read:
Chapter 14B
Chapter 2 (emphasis on section 2.3) and all of Chapter 4</td></tr>
<tr><td>Class 3

Sep 28</td><td>FSI Methodology – Balance Sheet Analysis

▪ Understand accounting policy alternatives available to management on each long term asset item, including:
Deferred Tax and Other Assets

Class Coverage:
• Understanding current liabilities and liquidity through cash conversion cycle.
• What are the differences between non-monetary and monetary liabilities?
• Issues relating debt, including refinancing risk, security and ranking and recovery.
• What are hybrid securities and are they debt or equity (or both)?
• How do we analyze dilution effect of employee stock options?
• Understand accounting for pension obligations and use of derivatives.

Implementation and Making Investment Decisions
Project Cash Flows and Incremental Cash Flows
Pro Forma Financial Statements
Operating Cash Flow
Capital Cost Allowance Tax Shield
Other Relevant Cash Flows
Optional Read:
• Ch. 11 (Financial Instruments as Liabilities) MGH Custom Book

Read:
Chapter 9: Net Present Value and Other Investment Criteria (excluding section 9.3: The Average Accounting Return)
Chapter 10: Making Capital Investment Decisions (excluding appendix 10a)</td></tr>
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<tr><th>Class</th><th>Coverage, Readings and Deliverables</th></tr>
<tr><td>Class 4

Oct 05</td><td>Discounted Cash Flow Overview
Some Special Cases of Discounted Cash Flow (Cost-cutting proposals, replacing an asset, evaluating equipment of different lives, setting the bid price)
Cost of Capital, The Discount Rate
The Cost of Equity
The Cost of Debt and Preferred Stock
The Weighted Average Cost of Capital (WACC)
Divisional and Project Costs of Capital
Company Valuation with WACC
Flotation Costs and WACC
Read:
Chapter 10: Making Capital Investment Decisions</td></tr>
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	• Chapter 11: Project Analysis and Evaluation • Chapter 14: Cost of Capital
Class 5 Oct 19	**FSI – Income Statement Issues** Class Coverage: • What are quality earnings and how to distinguish them from poor quality earnings? • What are the warning signs of earnings management? Read: FSI – Cash Flow Analysis Class Coverage: • Why is cash flow analysis essential in understanding the economic health and threats to the company? • What are the expected patterns of cash flows for companies in differing stages of business maturity? **Optional Read:** 1. Chapter 17 (Statement of Cash Flows), MGH Custom Book Library: Eastman, Kent. 'EBITDA: An Overrated Tool for Cash Flow Analysis', Commercial Lending Review (1997): page 64-69. **Leverage: Operating, Financial, and Combined** • Chapter 11.5, 16.2 **Capital Structure Theory** • Capital Structure choice in perfect financial markets. • Capital Structure choice in a world with corporate taxes • Capital Structure in a world with corporate taxes and financial distress. **Read:** • Chapter 11.5, 16
Class 6 Oct 26	**FSI – Cash Flow Analysis, Ratios (Review) and Capital Structure Decisions** Class Coverage: • What are the different levels of cash flow and what do they indicate? • What are the mechanics of cash flow analysis and variance analysis? **Review of Ratio Analysis** Class Coverage: • What is the purpose of ratio analysis and differences in focus between equity and credit analysts? • Discuss general and industry-specific ratios and performance measures. **Capital Structure Decisions III:** • Capital Structure choice in a world with asymmetric information and other market imperfections • Alternative theories of Capital Structure. **Coverage, Readings and Deliverables**

Class 7 **Nov 2**	**Group Assignment #1 Due** **Midterm Exam (2 to 3 hours – no class following midterm)**
Class 8 Nov 9	**Overview of Valuation** Class Coverage: • Discuss the basic model of Discounted Cash Flow (DCF) Valuation. • Understand the treatments of redundant assets, capital assets, working capital investments. **Business Valuations I** • Free Cash flow forecasting. • Alternative Approaches to DCF Valuations • Alternate valuations models including multiples method • Sustainability Issues • APV Case Studies • Work on Financial Models • Optionality **Optional Read:** 1. Introduction to Valuation, Damodaran, Spring 2017 (in Canvas) http://people.stern.nyu.edu/adamodar/pdfiles/eqnotes/ValIntrospr17.pdf **Read:** • Chapter 14.6, 14A
Class 9 Nov 16	**Valuation – Forecasting Free Cash Flows** Class Coverage: • What are the key factors affecting assumptions behind the forecasts? • How are revenue, expenses, working capital requirement, capital investments and debt levels forecasted? • How are cash or debt being used as plug to complete the forecasting model. • Determination of Terminal Growth Rate and Terminal Value. • Translating forecasted enterprise (or Firm) valuation to equity valuation. **Business Valuations II** • Free Cash flow forecasting. • Alternative Approaches to DCF Valuations • Alternate valuations models including multiples method • Sustainability Issues • APV Case Studies • Work on Financial Models • Optionality **Read:** • Chapter 14.6, 14A
Class 10 Nov 23	**Mergers, Acquisitions, & Divestitures Lecture** • Work on LBO Models Chapter 23

	Valuation – Calculating Discount Rate Class Coverage: • Discussion of discount rate estimation and factors affecting its components. • Discussion of general discount rate estimation methodology What are the key factors to consider in determining equity risk premium and beta? **Optional Read:** 1. Chapter 2, Damodaran, Wiley Custom Book Review of Key Issues Related to DCF Valuation and Assignment #2 Overview
Class 11 Nov 30	**Mergers, Acquisitions, & Divestitures** Chapter 23 **Valuation – Relative Valuation** Class Coverage: • Discussion of relative valuation (multiple approach) method. • Illustration of mechanics of relative valuation and discussion on its advantages and limitations. **Optional Read:** 1. Library – Why bad multiples happen to good companies? Nolen Foushee, Susan 2. Library – Misunderstood and misused, Alan Lee
Class 12 **Dec 07**	**Group Assignment #2 Due** **Group Presentation on Valuations**
TBA	**Final Examination**