### SESSION PLAN

**COURSE:** ABE Level 6 Corporate Finance

**ELEMENT:** Element 5 – Contemporary issues in corporate finance

## **LEARNING OUTCOME 5**

**5 Critically evaluate contemporary issues in corporate finance, including the importance of ethics and corporate governance, and the role of corporate finance in the market for ownership and control (Weighting 20%)**

5.1 Critically evaluate alternative perspectives on the role of ethics in corporate finance

5.2 Appraise the business’s approach to corporate governance in the context of legal, regulatory and professional requirements

5.3 Critically evaluate the role of corporate finance in mergers and acquisitions, and the market for ownership and control in a globalised environment

**NUMBER OF SESSIONS:** Three - approximately nine hours in total (plus self-study)

**SESSION TOPICS:** Session 1: Critically evaluate alternative perspectives on the role of ethics in corporate finance

Session 2: Appraise the business’s approach to corporate governance in the context of legal, regulatory and professional requirements

Session 3: Critically evaluate the role of corporate finance in mergers and acquisitions, and the market for ownership and control in a globalised environment

**Note to tutors: this is the recommended session plan for learning outcome 5, element 5 of ABE Level 6 Corporate Finance. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 1: Critically evaluate alternative perspectives on the role of ethics in corporate finance

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| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 3 hours | Introduction to session and learning outcomes | Use filename: **6UCF Presentation E5.**  Explain the unit, and what is going to be covered.  Assessment criterion 5.1  Discuss the nature of investment appraisal techniques and the need to ensure that they reflect the financial management strategy of the business.  Play this to help to explain the investment appraisal techniques:  <https://www.youtube.com/watch?v=4arxW7nO8zc> | 1-4 | In small groups, learners should identify what they want to learn from the unit. Set out some personal learning objectives  Ask all students to describe an organisation with which they are familiar. Give them all 5 minutes to do this, and explain that you will be using these organisations as examples throughout the module. | **6UCF E5 LO5 Activity 1 –** The nature of risk |
| Wealth maximisation | Explain the concept of a business as an investment agency.  Discuss the paramount importance of shareholders in a capitalist system. Explain the concept of wealth maximisation: in financial management, the primary objective of the business is to maximise the wealth of its shareholders.  Look at the study guide for examples of recent investment and financing decisions made by major multinational businesses. Make it clear that these investment and financing decisions are very different. However, the need to maximise the wealth of shareholders would have been an important feature of each.  Choose one of the organisations that the students have just described. Introduce the key factors of decision making in financial management: risk & return, legal form and corporate governance. Discuss the need to balance financial management with these factors. | 5-7 | Learners try to identify and explain recent investment and financing decisions made by businesses with which they are familiar.  Ask learners to consider some of the factors, in addition to the maximisation of shareholder wealth, that might have been important in these investment and financing decisions.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group. | **L6UCF E5 O5 Activity 2 –** Wealth maximisation |
| Corporate social responsibility and corporate finance | Outline the nature of corporate social responsibility (CSR).  CSR should play a supporting role within the framework of corporate objectives rather than act as a business’s primary goal.  Use the study guide. Explain how the Deep Water Horizon disaster affected the corporate finance activities of BP plc. | 8 | Ask learners to discuss the potential effects of poor CSR on the corporate finance activities of an organisation.    Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group, | **6UCF E5 LO5 Activity 3** – Corporate social responsibility |
|  | Review of session and learning outcomes | Ask students to read the second section of the study guide prior to the next session. |  | Pre-session preparation |  |

### SESSION 2: Appraise the business’s approach to corporate governance in the context of legal, regulatory and professional requirements

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| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative assessment** |
| 2-3 hours | Corporate governance, legal, regulatory and professional requirements | Use file: **6UCF Presentation E5**  Assessment criterion 5.2 | 9 |  |  |
|  | Ethics and integrity in financial management | Outline the nature of corporate governance, legal, regulatory and professional requirements in this context.  High standards of ethical behaviour in financial management are not contradictory to the primary objective of shareholder wealth maximisation. Whilst opportunities for short term profit may be foregone, the avoidance of problems that can arise due to poor integrity should help to promote wealth maximisation in the long term. | 10-14 | Ask learners to find out about codes of ethical standards and behaviour for an organisation in their home country (or one with which they are familiar). Explain how such codes might promote high standards of ethics and integrity in financial management.  Allow students 30 minutes to do the analysis, and then 20 minutes to present back in groups. | **6UCF E5 LO5 Activity 4-** Corporate finance and ethics |
|  | Review of session and learning outcomes | Ask students to read the next section of the study guide prior to the next session. |  | Pre-session preparation. |  |

### SESSION 3: Critically evaluate the role of corporate finance in mergers and acquisitions, and the market for ownership and control in a globalised environment

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| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 2-3 hours | The role of corporate finance in mergers and acquisitions | Use file: **6UCF Presentation E5**  Assessment criterion 5.3 | 15 |  |  |
| Mergers and acquisitions | Outline and define the nature of mergers and acquisitions.  The terms 'merger' and 'acquisition' have come to be used synonymously. Mergers are a 'friendly reorganisation of assets into a new organisation'. Acquisitions are the takeover of one business’s share capital by another business. | 16-18 | Ask learners to identify the financial system that applies in your home country, or a country with which you are familiar. Consider the implications of this financial system for corporate finance.  Allow students 30 minutes to do the analysis, and then 20 minutes to present back in groups. | **6UCF E5 LO5 Activity 5** – Mergers and acquisitions |
| Positive and negative effects of corporate finance in mergers and acquisitions | Many mergers and acquisitions have realised economies of scale and synergies. Some evidence points to the achievement of these benefits and of improved returns for investors following mergers and acquisitions. | 19-20 | Ask learners to evaluate the role of corporate finance in a merger of acquisition with which they are familiar.  Allow students 30 minutes to do the analysis, and then 20 minutes to present back in groups. | **6UCF E5 LO5 Activity 6** – Corporate finance and the financial system  **6UCF E5 LO5 Activity 7** – Corporate finance and mergers and acquisitions |
| Review of session and learning outcomes | Ask students to identify and review key learning points from the unit as part of their preparation for the assessment. |  |  |  |