

Course Title

Corporate Finance Strategy & Financial Market (FSM)

Knowledge Pillar	Level	Course Title	Course Code	Total Marks
Economics & Finance [EFIN]	Advanced Level I	Corporate Finance Strategy & Financial Market (FSM)	EF343	100

Syllabus Structure

The syllabus comprises the following main topics with the relative study weightings:

Segment	Topics	Weight
A. Corporate Finance Strategy (50 Marks)	1. Introduction to Corporate Financial Strategy and Policy	5%
	2. Strategy for Long Term Finance	15%
	3. Business Valuation Strategy	10%
	4. Risk Management Strategy	5%
	5. Strategy for Portfolio Management	15%
B. Financial Market (50 Marks)	1. Overview of Financial Systems & Market	5%
	2. Money Markets	20%
	3. Capital Markets	25%

Course Description

The corporate financial strategy of a business should be compatible with the overall business strategy for business success. This course examines finance issues from financial and strategic management perspectives. It covers the analysis of corporate finance decisions at length enabling the aspiring professional accountants to develop a suitable policy framework for the financial strategy of an organization. Besides, several special areas of finance such as mergers and acquisitions, business valuation and international corporate finance, are given due consideration in the course. Besides, this course also focuses on the financial systems of Bangladesh, the overview of the financial market and instruments, the money market and the capital market. Focus is also given on the derivatives markets, the bond market and how prices of bonds and interest rates are determined.

Course Objectives

This course aims to provide aspiring professional accountants the capacity to utilize different Corporate Finance (CF) strategies and techniques for value maximization of invested wealth. This course will also provide students with a pragmatic view of Bangladesh's financial markets and the capacity to evaluate institutions, instruments and various participants involved in the industry. It is expected that the successful completion of the course will equip students with the technical skills required to efficiently manage the financial resources of an organization.

Course Learning Outcomes

On successful completion of this course, the aspiring professional accountants will be able to:

1. apply the concepts of corporate financial strategy in financial decision making and understand the financial market of Bangladesh;
2. identify the key factors that influence the crafting of a financial strategy;
3. outline and draft different financial strategies for value maximization;
4. understand the operations, instruments and the participants of Bangladesh financial market;
5. describe the implications of regulatory policies on the Bangladesh financial market;
6. evaluate the financial systems of Bangladesh; and
7. align organizational operations and strategies with the prevailing financial systems.

DETAILED CONTENTS

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
A. Corporate Finance Strategy (50 Marks)	A1. Introduction to Corporate Financial Strategy and Policy	R, U	<ul style="list-style-type: none"> • Corporate Finance; • Corporate Resources & their sources; • Strategic Objectives of an Organization; • Relationship between financial strategy and business strategy; • Internal and External environment of Strategy; • Relationship between Investment, Financing and Dividend Decisions; • External influences on financial strategic decisions; • Stakeholder Conflicts; • Interest of shareholders and other stakeholders; • Performance Evaluation for Attainment of Organization's Financial Objectives; • Evaluation of Alternative Financial Strategies for an Organization. 	<p>Upon successful completion, students shall be able to:</p> <ol style="list-style-type: none"> 1. Identify factors that influence strategic financial decisions; 2. Understand the link between financial strategy with business strategy; 3. Identify and understand different sources of corporate resources. 	10%
	A2. Strategy for Long Term Finance	U, AP, AN, E, D	<ul style="list-style-type: none"> • Capital Structure: Modeling impact of capital structure - Calculation of cost of equity and weighted cost of capital to reflect changes in capital structure; Impact of choice of capital structure on financial 	<ol style="list-style-type: none"> 4. Comparison of the cost of capital for optimal capital structure; 5. discuss the impact of alternative forms of long- 	30%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
			<p>statements; Structuring debt/equity profiles of companies in a group;</p> <ul style="list-style-type: none"> • Debt Financing: Types of debt instruments and criteria for selecting them; Managing interest, currency and refinancing risks with target debt profile; Private placements and capital market issuance of debt; Features of debt covenants; Tax consideration for debt; • Equity Finance: Methods of flotation and implications for management and shareholders; Rights issues, choice of discount rates and impact on shareholders; • Equity Finance: Methods of flotation and implications for management and shareholders; Rights issues, choice of discount rates and impact on shareholders; Calculation of theoretical ex-rights price (TERP) and yield adjusted TERP; • Dividend Policy & Share Repurchase: Impact on shareholder value and entity value, financial statements and performance - Regular Cash Dividends, Extra or Special (Irregular) Dividends, Liquidating Dividends, Stock Dividends, Stock Splits; Share Repurchases - Share Repurchase Methods, Financial Statement Effects of Repurchases Valuation, Equivalence of Cash Dividends and Share Repurchases: The Baseline, The Dividend versus Share Repurchase Decision; Analysis of Dividend Safety. 	<p>term financing on business decisions;</p> <p>6. understand the implications of different dividend policy;</p> <p>7. formulate a strategy for long term finance.</p>	

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
	A3. Business Valuation Strategy	U, AP, AN, E, D	<ul style="list-style-type: none"> • Reasons for Merger and Acquisition and divestments; • Taxation implications; • Process and implications of management buy-outs; • Acquisition by private equity and venture capitalist; • Asset valuation; • Valuation of intangibles; • Different methods of equity valuation; • Forms of consideration; • Terms of acquisition; • Target entity debt; • Methods of financing cash offer and refinancing target entity debt; • Bid negotiation; • Post-transaction value incorporating the effect of intended synergies; • Value of a firm after acquisition; • determination of the NPV of a merger; • Corporate Restructuring. 	<p>8. understand the reasons and key factors of merger and acquisition;</p> <p>9. determine the value of the firm after the acquisition;</p> <p>10. recommend corporate restructuring considering the relevant factors.</p>	20%
	A4. Risk Management Strategy	U, AP, AN, D	<ul style="list-style-type: none"> • Identifying risk: Credit Risk, Liquidity Risk, Operational Risk, Model Risk, Settlement (Herstatt) Risk, Regulatory Risk, Legal/Contract Risk, Tax Risk, Accounting Risk, Sovereign and Political Risks, and Other Risks; • Measuring risk: Measuring Market Risk: Value at Risk; Stress Testing; Measuring Credit Risk; Liquidity Risk; Measuring Nonfinancial Risks; • Managing Risk: Managing Market Risk; Managing Credit Risk; Performance Evaluation; Capital Allocation; Psychological and Behavioral Considerations; • Derivatives: Basics of Derivatives; Risk Management 	<p>11. explain and measure different forms of risks;</p> <p>12. manage risks using financial derivatives;</p> <p>13. outline risk management strategy for the organization.</p>	10%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
			of Forward and Futures Strategies; Option Strategies; Bull Spreads; Bear Spreads and Risk Reversal; Collar; Box Spreads; Butterfly Spreads; Seagull Spreads.		
	A5. Strategy for Portfolio Management	U, AP, AN, E, D	<ul style="list-style-type: none"> • The Asset Management Industry: Active versus Passive Management; Traditional versus Alternative Asset Managers; • Portfolio Management, its benefits, Process, portfolio risk & return; • Modern Portfolio Theory, Efficient Frontier and Investor's Optimal Portfolio: Modern Portfolio Theory; Investment Opportunity Set; Minimum- Variance Portfolios; Global minimum- variance portfolio; Markowitz efficient frontier; Capital Allocation Line/Capital Market Line; Optimal Risky Portfolio/market portfolio; Indifference Curve; Optimal Investor Portfolio; • Applications of the CAPM in Portfolio Construction: SML/Security Characteristic Line; Security Selection; Implications of the CAPM for Portfolio Construction; • Multifactor Models and Arbitrage Pricing Theory (APT): Multifactor Models; Assumptions of APT; Fama and French three-factor model; Carhart four-factor model; • Technical Analysis: Technical Analysis Definition and Scope; Principles and Assumptions; Technical Analysis Tools- Charts, Trend, Chart Patterns, Technical Indicators, Cycles; 	<p>14. describe and perform the steps in the portfolio management process and determine portfolio risk and return;</p> <p>15. understand the portfolio theories in constructing the optimum portfolio;</p> <p>16. recognize and explain how Fintech is shaping the financial strategies of an organization.</p>	30%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
B. Financial Market (50 Marks)			<ul style="list-style-type: none"> • Portfolio Performance Appraisal Measures: The Sharpe Ratio; The Treynor Ratio; Risk-Adjusted Performance (RAP); Jensen's Alpha; • Fintech in Investment Management: What Is Fintech; Big Data; Data visualization; Advanced Analytical Tools: Artificial Intelligence and Machine Learning; Blockchain, IOT. 		
	B1. Overview of Financial Systems & Market	R, U	<ul style="list-style-type: none"> • Financial Systems of Bangladesh; • Financial Markets & its types • Regulators of Financial Markets; • Financial Instruments; • The Role of the Government in Financial Markets & Financial Innovation. 	17. describe the impact of regulation and innovation on the financial system of Bangladesh.	10%
	B2. Money Market	R, U, AP, AN, E, D	<ul style="list-style-type: none"> • Financial Intermediaries & Financial Institutions: Financial Intermediaries and Globalization of Financial Markets; Commercial Banks functions; Bank Accounts and deposit products; Credit Creation; Credit Facilities of Bank; Loan Pricing; ICRR, Loan classification and rescheduling; Treasury Management; Digital Banking; Islami Banking; Risk Management of Bank; Non-Banking Financial Institution (NBFI); Insurance Company; • The Bangladesh Bank (BB) and Bangladesh Financial Intelligence Unit (BFIU): Bangladesh Bank and its functions; Monetary Policy and its implications; Monetary policy Vs Fiscal Policy; Different Kinds of Money; Credit Systems & Supervision; 	18. describe the role of Financial intermediaries for channeling financial services; 19. explain how the Monetary policy and Fiscal Policy influence each other; 20. understand the use of money markets instruments for investments as well as a source of short-term financing.	40%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
			<p>Foreign Exchange Management; Functions of BFIU; AML (Anti Money Laundering) & CFT (Combating Terrorist Financing);</p> <ul style="list-style-type: none"> • Money Market Instruments: Market Instruments and its characteristics; Different types of Instruments (Treasury bill, certificate of Deposit, Commercial Papers, Bankers' Acceptance, Eurodollars, Repo Reverse Repo, Federal Funds, Call money, LIBOR, SOFR, SONIA). 		
	B3. Capital Market	R, U, AP, AN, E, D	<ul style="list-style-type: none"> • Organization and Structure of Capital Market: Primary Markets and the Underwriting of Securities; Process for Issuing New Securities; Regulation of the Primary Market; Variations in the Underwriting Process; Private Placement of Securities; • Markets for Corporate Securities, Assets backed securities and Bond: Capital market Intermediaries; Characteristics Common Stock, Bond, ETF & Mutual Funds; Trading Mechanics; Transaction Costs & Trading Arrangements for Retail and Institutional Investors; Basic Functioning of Stock Markets & its Indicators; Structure and Pricing Efficiency of the Stock Markets; Over-the-Counter Markets, Alternative Trading Board, SME Platform; Evolving Stock Market Practice; Asset-Backed Securities Markets and Bond Markets; • Markets for Derivative Securities: Financial Futures Markets; Options Markets; Interest Rate Derivative 	<p>21. describe different forms of price efficiency and the implications of efficiency for market participants;</p> <p>22. Understand and comment on different trading mechanics;</p> <p>23. Illustrate the market for derivative securities;</p> <p>24. Understand the role of different depository participants.</p>	50%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
			Markets; Foreign Exchange Derivative Markets; Economic function of the derivative market; <ul style="list-style-type: none"> • Depository Participants (DP), Central Depository Bangladesh Limited (CDBL) and Central Counterparty Bangladesh Limited (CCBL): Depository Participants - formation, Functions, Types of Activities and Characteristics; CDBL formation, Functions, Operational activities and compliances; CCBL formation, Functions, Operational activities and compliances. 		

Here, R = Remembering; U = Understanding; AP = Applying; AN = Analyzing; E = Evaluating; C = Creating; D = Decision making; are the seven levels of learning developed based on the Bloom's Taxonomy.

Recommended Books and Learning Materials

Primary Textbook

1. ICMAB. (2021). ICMAB Learning Manual for Corporate Finance Strategy.
2. ICMAB. (2021). ICMAB Learning Manual for Financial Markets.

Recommended Textbook (Latest Edition)

1. Ross, S., Westerfield, R. W., Jaffe, J. & Jordan B. D. (2019). *Corporate finance*. (12th ed.). McGraw-Hill Education.
2. Brigham, E. F., & Ehrhardt, M. C. (2020). *Financial management: Theory & practice*. (16th ed.). Cengage Learning.
3. Fabozzi, F. J., Modigliani, F. & Jones F. J (2010). *Foundations of financial markets and institutions*. (4th ed.). Pearson.

Reference Books/Other Learning Materials (Latest Edition)

1. Gaughan, P. A. (2017). *Mergers, Acquisitions and corporate restructurings*. (7th ed.). John Wiley & Sons.
2. Koller, T., Goedhart, M. & Wessels, D. (2020). *Valuation: Measuring and managing the value of companies*. (7th ed.). John Wiley and Sons.
3. Chew, D. H. (2000). *The new corporate finance: Where theory meets practice*. (3rd ed.). McGraw-Hill Education.
4. Damodaran, A. (2001). *Corporate finance: Theory and practice*. (2nd ed.). John Wiley & Sons.
5. Mishkin, F. S., Matthews, K. & Giuliadori, M (2021). *The economics of money, banking and financial markets*. (13th ed.). Pearson education.
6. Alexander, G. J., Sharpe, W. F. & Bailey, J. V. (2001). *Fundamentals of investments*. (3rd ed.). Pearson.
7. Gardon, E. & Natarajan. K. (2016). *Financial markets & services*. (10th ed.). Himalaya Publishing House.

FSM Course Mapping

PrOs		POs		CLOs		TLOs	
PrO1	1	PO1	1, 2	CLO1	1, 2, 3, 4, 6, 9, 12, 13, 14, 15, 18, 23		
PrO2	1, 2, 5	PO2	2	CLO2	2, 5, 8, 11		
PrO3	4, 6	PO3	2	CLO3	6, 7, 10, 13		
PrO4	7	PO4	2	CLO4	19, 20, 21, 22, 24		
PrO5	3, 7	PO5	2, 4, 5, 6	CLO5	17, 19, 21		
PrO6	1, 2, 7	PO6	1, 2	CLO6	17, 19, 20, 22, 24		
PrO7	7	PO7	2, 3, 7	CLO7	7, 10, 13, 16, 24		

Here, PrOs = Program Objectives; POs = Pillar Objectives; CLOs = Course Learning Outcomes; TLOs = Topic Learning Outcomes.