



## UNSW Course Outline

# FINS5580 Corporate Finance Theory - 2024

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## General Course Information

Course Code : FINS5580

Year : 2024

Term : Term 2

Teaching Period : T2

Is a multi-term course? : No

Faculty : UNSW Business School

Academic Unit : School of Banking and Finance

Delivery Mode : In Person

Delivery Format : Standard

Delivery Location : Kensington

Campus : Sydney

Study Level : Postgraduate

Units of Credit : 6

### Useful Links

[Handbook Class Timetable](#)

## Course Details & Outcomes

### Course Description

The course introduces contract theories, which have formed the fundamental framework for corporation finance research, and reviews their applications in corporate finance. The course consists of four main parts: (i) optimal contracts under moral hazard problems; (ii) mechanism

design under asymmetric information problems; (iii) incomplete contract and firm theory; and (iv) topics in corporate finance.

## **Course Aims**

# Course Learning Outcomes

Course Learning Outcomes	Program learning outcomes
CLO1 : Understand the working knowledge of basic contract theories.	<ul style="list-style-type: none"> <li>• PL02 : Academic Excellence</li> <li>• PL01 : Business Knowledge</li> <li>• PL02 : Problem Solving</li> </ul>
CLO2 : Analyse central issues in corporate finance using the framework of contract theories	<ul style="list-style-type: none"> <li>• PL02 : Academic Excellence</li> <li>• PL01 : Business Knowledge</li> <li>• PL02 : Problem Solving</li> </ul>
CLO3 : Understand comparative statics, and be able to develop testable hypothesis.	<ul style="list-style-type: none"> <li>• PL02 : Academic Excellence</li> <li>• PL01 : Business Knowledge</li> <li>• PL02 : Problem Solving</li> </ul>
CLO4 : Review the state of art corporate finance theories, and develop either empirical or theoretical research idea for thesis.	<ul style="list-style-type: none"> <li>• PL01 : Research Excellence</li> <li>• PL01 : Business Knowledge</li> <li>• PL02 : Problem Solving</li> </ul>
CLO5 : Construct written work which is logically and professionally presented	<ul style="list-style-type: none"> <li>• PL01 : Research Excellence</li> <li>• PL03 : Business Communication</li> <li>• PL05 : Responsible Business Practice</li> </ul>
CLO6 : Communicate ideas in a succinct and clear manner.	<ul style="list-style-type: none"> <li>• PL01 : Research Excellence</li> <li>• PL03 : Business Communication</li> <li>• PL05 : Responsible Business Practice</li> </ul>

Course Learning Outcomes	Assessment Item
CLO1 : Understand the working knowledge of basic contract theories.	<ul style="list-style-type: none"> <li>• Individual Assignment</li> <li>• Final Exam</li> <li>• Class Participation</li> <li>• Paper Presentations</li> </ul>
CLO2 : Analyse central issues in corporate finance using the framework of contract theories	<ul style="list-style-type: none"> <li>• Final Exam</li> <li>• Class Participation</li> </ul>
CLO3 : Understand comparative statics, and be able to develop testable hypothesis.	<ul style="list-style-type: none"> <li>• Individual Assignment</li> <li>• Paper Presentations</li> <li>• Final Exam</li> <li>• Class Participation</li> </ul>
CLO4 : Review the state of art corporate finance theories, and develop either empirical or theoretical research idea for thesis.	<ul style="list-style-type: none"> <li>• Individual Assignment</li> <li>• Class Participation</li> </ul>
CLO5 : Construct written work which is logically and professionally presented	<ul style="list-style-type: none"> <li>• Individual Assignment</li> <li>• Final Exam</li> </ul>
CLO6 : Communicate ideas in a succinct and clear manner.	<ul style="list-style-type: none"> <li>• Paper Presentations</li> <li>• Individual Assignment</li> <li>• Final Exam</li> <li>• Class Participation</li> </ul>

# Learning and Teaching Technologies

Moodle - Learning Management System | Zoom

## Learning and Teaching in this course

This course covers key papers and models in corporate finance theory. The pedagogical approach, designed to achieve the learning goals, is composed of three parts:

1. Class lectures that introduce the working knowledge of seminal works in contract theory and corporate finance studies.
2. Problem sets that offer opportunities to review the theories discussed in lectures and apply them to various topics in corporate finance.
3. Consultation hours (with the lecturer) that allow students to clarify their understanding and discuss further extensions.

## Assessments

### Assessment Structure

Assessment Item	Weight	Relevant Dates	Program learning outcomes
Individual Assignment Assessment Format: Individual	35%	Start Date: See detailed assignment description Due Date: See detailed assignment description	<ul style="list-style-type: none"><li>• PL01 : Business Knowledge</li><li>• PL02 : Problem Solving</li><li>• PL02 : Academic Excellence</li><li>• PL05 : Responsible Business Practice</li></ul>
Final Exam Assessment Format: Individual	40%	Start Date: See detailed assessment description Due Date: See detailed assessment description	<ul style="list-style-type: none"><li>• PL01 : Business Knowledge</li><li>• PL02 : Problem Solving</li><li>• PL03 : Business Communication</li><li>• PL02 : Academic Excellence</li><li>• PL05 : Responsible Business Practice</li></ul>
Class Participation Assessment Format: Individual	10%	Start Date: Not Applicable Due Date: Not Applicable	<ul style="list-style-type: none"><li>• PL01 : Business Knowledge</li><li>• PL03 : Business Communication</li><li>• PL02 : Academic Excellence</li></ul>
Paper Presentations Assessment Format: Individual	15%	Start Date: See detailed assessment description Due Date: See detailed assessment description	<ul style="list-style-type: none"><li>• PL03 : Business Communication</li><li>• PL01 : Research Excellence</li></ul>

# Assessment Details

## Individual Assignment

### Course Learning Outcomes

- CL01 : Understand the working knowledge of basic contract theories.
- CL03 : Understand comparative statics, and be able to develop testable hypothesis.
- CL04 : Review the state of art corporate finance theories, and develop either empirical or theoretical research idea for thesis.
- CL05 : Construct written work which is logically and professionally presented
- CL06 : Communicate ideas in a succinct and clear manner.

### Detailed Assessment Description

Two problem sets will be provided to help review the course materials and prepare for the final. The first one will be offered after the lectures on moral hazards and asymmetric information problems. The second one will be offered in Week 6. Both assignments will be available for two weeks.

### Submission notes

See detailed assignment description

### Assignment submission Turnitin type

This is not a Turnitin assignment

## Final Exam

### Course Learning Outcomes

- CL01 : Understand the working knowledge of basic contract theories.
- CL02 : Analyse central issues in corporate finance using the framework of contract theories
- CL03 : Understand comparative statics, and be able to develop testable hypothesis.
- CL05 : Construct written work which is logically and professionally presented
- CL06 : Communicate ideas in a succinct and clear manner.

### Detailed Assessment Description

The exam consists of short essay questions and quantitative analysis questions. The questions are based on the papers and models discussed in class.

### Submission notes

See detailed assessment description

### Assignment submission Turnitin type

This is not a Turnitin assignment

## Class Participation

### Course Learning Outcomes

- CL01 : Understand the working knowledge of basic contract theories.
- CL02 : Analyse central issues in corporate finance using the framework of contract theories
- CL03 : Understand comparative statics, and be able to develop testable hypothesis.
- CL04 : Review the state of art corporate finance theories, and develop either empirical or theoretical research idea for thesis.
- CL06 : Communicate ideas in a succinct and clear manner.

### Detailed Assessment Description

This item assesses participation in Q&A sessions and discussions during class.

### Submission notes

Not applicable

### Assignment submission Turnitin type

Not Applicable

## Paper Presentations

### Course Learning Outcomes

- CL01 : Understand the working knowledge of basic contract theories.
- CL03 : Understand comparative statics, and be able to develop testable hypothesis.
- CL06 : Communicate ideas in a succinct and clear manner.

### Detailed Assessment Description

Submit a video recording of paper presentation in Week 10. The presenting paper and the format of presentation will be announced in class.

### Submission notes

See detailed assessment description

### Assignment submission Turnitin type

This is not a Turnitin assignment

## General Assessment Information

### Grading Basis

Standard

### Requirements to pass course

In order to pass this course, students must:

- Achieve a composite mark of at least 50 out of 100
- Engage actively in course learning activities and attempt all assessment requirements
- Meet any additional requirements specified in the assessment details
- Meet the specified attendance requirements of the course (see Schedule section)

## Course Schedule

Teaching Week/Module	Activity Type	Content
Week 1 : 27 May - 2 June	Lecture	Moral hazard and incentive contracts (I): Canonical models
Week 2 : 3 June - 9 June	Lecture	Moral hazard and incentive contracts (I): Canonical models
Week 3 : 10 June - 16 June	Lecture	Asymmetric information and self-selecting contracts
Week 4 : 17 June - 23 June	Lecture	Incomplete contracts and theory of firm boundaries
Week 5 : 24 June - 30 June	Lecture	Basics of capital structure: Modigliani-Miller theorem and Trade-off theory
Week 6 : 1 July - 7 July	Lecture	Financing policies as a signalling mechanism
Week 7 : 8 July - 14 July	Lecture	Agency perspective in corporate finance (I): basic model
Week 8 : 15 July - 21 July	Lecture	Agency perspective in corporate finance (II): extensions
Week 9 : 22 July - 28 July	Lecture	Security design approach (I)
Week 10 : 29 July - 4 August	Lecture	Security design approach (II)

## Attendance Requirements

Students are strongly encouraged to attend all classes and review lecture recordings.

## Course Resources

### Course Evaluation and Development

Feedback is regularly sought from students and continual improvements are made based on this feedback. At the end of this course, you will be asked to complete the myExperience survey, which provides a key source of student evaluative feedback. Your input into this quality enhancement process is extremely valuable in assisting us to meet the needs of our students and provide an effective and enriching learning experience. The results of all surveys are carefully considered and do lead to action towards enhancing educational quality.

## Staff Details

Position	Name	Email	Location	Phone	Availability	Equitable Learning Services Contact	Primary Contact
Convenor	Chang Mo Kang					No	Yes

# Other Useful Information

## Academic Information

### COURSE POLICIES AND SUPPORT

The Business School expects that you are familiar with the contents of this course outline and the UNSW and Business School learning expectations, rules, policies and support services as listed below:

- Program Learning Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Protocol for Viewing Final Exam Scripts
- Student Learning Support Services

Further information is provided on the [key policies and support](#) page.

Students may not circulate or post online any course materials such as handouts, exams, syllabi or similar resources from their courses without the written permission of their instructor.

### STUDENT LEARNING OUTCOMES

The Course Learning Outcomes (CLOs) – under the Outcomes tab – are what you should be able to demonstrate by the end of this course, if you participate fully in learning activities and successfully complete the assessment items.

CLOs also contribute to your achievement of the Program Learning Outcomes (PLOs), which are developed across the duration of a program. PLOs are, in turn, directly linked to [UNSW graduate capabilities](#). More information on Coursework PLOs is available on the [key policies and support](#) page. For PG Research PLOs, including MPDBS, please refer to the [UNSW HDR Learning Outcomes](#).

### Academic Honesty and Plagiarism

As a student at UNSW you are expected to display [academic integrity](#) in your work and interactions. Where a student breaches the [UNSW Student Code](#) with respect to academic integrity, the University may take disciplinary action under the Student Misconduct Procedure. To



assure academic integrity, you may be required to demonstrate reasoning, research and the process of constructing work submitted for assessment.

To assist you in understanding what academic integrity means, and how to ensure that you do comply with the UNSW Student Code, it is strongly recommended that you complete the [Working with Academic Integrity](#) module before submitting your first assessment task. It is a free, online self-paced Moodle module that should take about one hour to complete.

## Submission of Assessment Tasks

### SPECIAL CONSIDERATION

You can apply for special consideration when illness or other circumstances beyond your control interfere with your performance in a specific assessment task or tasks, including online exams. Students studying remotely who have exams scheduled between 10pm and 7am local time, are also able to apply for special consideration to sit a supplementary exam at a time outside of these hours.

Special consideration is primarily intended to provide you with an extra opportunity to demonstrate the level of performance of which you are capable. To apply, and for further information, see Special Consideration on the UNSW [Current Students](#) page.

Special consideration applications will be assessed centrally by the Case Review Team, who will update the online application with the outcome and add any relevant comments. The change to the status of the application immediately sends an email to the student and to the assessor with the outcome of the application.

Please note the following:

1. Applications can only be made through Online Services in myUNSW (see the UNSW [Current Students](#) page). Applications will not be accepted by teaching staff. The lecturer-in-charge/course coordinator will be automatically notified when your application is processed.
2. Applying for special consideration does not automatically mean that you will be granted a supplementary exam or other concession.
3. If you experience illness or misadventure in the lead up to an exam or assessment, you must submit an application for special consideration, either prior to the examination taking place, or prior to the assessment submission deadline, except where illness or misadventure prevent you from doing so.
4. If your circumstances stop you from applying before your exam or assessment due date, you

must apply within 3 working days of the assessment or the period covered by your supporting documentation.

5. Under the UNSW Fit To Sit/Submit rule, if you sit the exam/submit an assignment, you are declaring yourself well enough to do so and are cannot subsequently apply for special consideration.
6. If you become unwell on the day of – or during – an exam, you must stop working on your exam, advise your course coordinator or tutor and provide a medical certificate dated within 24 hours of the exam, with your special consideration application. For online exams, you must contact your course coordinator or tutor immediately via email, Moodle or chat and advise them you are unwell and submit screenshots of your conversation along with your medical certificate and application.
7. Special consideration requests do not allow the awarding of additional marks to students.

Further information on Business School policy and procedure can be found under “Special Consideration” on the [key policies and support](#) page.

## **LATE SUBMISSION PENALTIES**

For assessments other than examinations, late submission will incur a penalty of 5% per day or part thereof (including weekends) from the due date and time. An assessment will not be accepted after 5 days (120 hours) of the original deadline unless special consideration has been approved. An assignment is considered late if the requested format, such as hard copy or electronic copy, has not been submitted on time or where the ‘wrong’ assignment has been submitted.

For assessments which account for 10% or less of the overall course grade, and where answers are immediately discussed or debriefed, the LIC may stipulate a different penalty. Details of such late penalties will be available on the course Moodle page.

## **FEEDBACK ON YOUR ASSESSMENT TASK PERFORMANCE**

Feedback on student performance from formative and summative assessment tasks will be provided to students in a timely manner. Assessment tasks completed within the teaching period of a course, other than a final assessment, will be assessed and students provided with feedback, with or without a provisional result, within 10 working days of submission, under normal circumstances. Feedback on continuous assessment tasks (e.g. laboratory and studio-based, workplace-based, weekly quizzes) will be provided prior to the midpoint of the course.

## Faculty-specific Information

### PROTOCOL FOR VIEWING FINAL EXAM SCRIPTS

UNSW students have the right to view their final exam scripts, subject to a small number of very specific exemptions. The UNSW Business School has set a [protocol](#) under which students may view their final exam script. Individual schools within the Faculty may also set up additional local processes for viewing final exam scripts, so it is important that you check with your School.

If you are completing courses from the following schools, please note the additional school-specific information:

- Students in the **School of Accounting, Auditing & Taxation** who wish to view their final examination script should also refer to [this page](#).
- Students in the **School of Banking & Finance** should also refer to [this page](#).
- Students in the **School of Information Systems & Technology Management** should also refer to [this page](#).

### COURSE EVALUATION AND DEVELOPMENT

Feedback is regularly sought from students and continual improvements are made based on this feedback. At the end of this course, you will be asked to complete the [myExperience survey](#), which provides a key source of student evaluative feedback. Your input into this quality enhancement process is extremely valuable in assisting us to meet the needs of our students and provide an effective and enriching learning experience. The results of all surveys are carefully considered and do lead to action towards enhancing educational quality.

### QUALITY ASSURANCE

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential.

### TEACHING TIMES AND LOCATIONS

Please note that teaching times and locations are subject to change. Students are strongly

advised to refer to the [Class Timetable website](#) for the most up-to-date teaching times and locations.