



PGE 2

Fall Semester

International Finance

IFM Track

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MERGERS & ACQUISITIONS

OBJECTIVES

The subject of mergers or acquisitions is unquestionably one of the topics in finance over the controversy. It is one of the objects that pay most of the chronic daily economic but also the academic literature of research in finance. What is a merger or an acquisition? What distinction is there between merger and acquisition? Do both types of operations carry the same economic logic? Do M&A transactions create financial value? The purpose of this seminar is to present a framework for analyzing these types of operations, far from polemics.

The growth of a company can marry two distinct logics: internal growth vs external growth.

Organic growth is aimed to create value through the use of resources and the mobilization of internal expertise in undertaking new productive capacities or commercial. Instead, external growth is to acquire existing capacities by taking control of another company, in whole or in part. These external growth operations are most often carried out through mergers and acquisitions. These operations can be analyzed in different ways, depending on the friendly or hostile character, their motives or their methods of implementation. From a financial standpoint, these operations can be analyzed as investment projects whose value should be assessed and search for the optimum financing mode.

The leveraged transactions or LBO

(Leveraged Buy-Out) satisfy this type of logic.

The aim of this course is to make students understand the economic institutional environment of M&A. This seminar aims also to present the methods, the strategies and the techniques used in the operations of M&A.

LEARNING OBJECTIVES

After this course, students will be able to:

- implement the main tools used in the major investment banks
- apply the best
- evaluate models to the each type of M&A operation

TEACHING METHODS & PEDAGOGY

This class will split equally between theoretical framework and application exercises.

Students are expected to actively participate to the class by asking questions and by expressing their critical point of view. Discussion on the different topics is encouraged.

Students are expected to be present in class in time and have prepared readings and exercises.

EVALUATION & ASSESSMENT

Each student will be graded through:

- MCQ and exercises (50%): Course #4 : MCQ and Exercises

If the student justifies his absence, a resit will be organized

- exam (50%): 2 hours writing exam (November 13th, 14h30-16h30)

COURSE OUTLINE

M&A	Topics
Course 1 & 2	Course 1 & 2 – Introduction to Mergers & Acquisitions 1.1 Business quiz on corporate valuation 1.2 General introduction to M&A 1.3 The strategy of external development 1.4 The process of acquisition in M&A 1.5 Exercises and application
Course 3	Course 3 – How to structure and organize a group of companies? 3.1 What is a group? 3.2 Accounting issues: consolidation, risk and performance 3.3 Legal and tax issues
Course 4	Course 4 – The deal modalities 4.1 Presentation of the business case: The case Aquitex/Bessnor 4.2 Deal 1: Acquisition 4.3 Deal 2: Merger 4.4 Deal 3: Partial transfer of asset
Course 5	Course 5 – LBOs 5.1 Introduction to LBOs 5.2 The different categories of LBOs 5.3 The leverage effects in LBOs 5.4 Exercises

MANAGERIAL ECONOMICS

PRESENTATION

Le cours se composera de 3 grands chapitres :

- les agrégats économiques, les prix et la croissance économique
- les cycles économiques
- la politique monétaire et la politique budgétaire

OBJECTIFS DU COURS

L'objectif de ce cours est de délivrer aux étudiants un socle de connaissances suffisant pour qu'ils comprennent les enjeux économiques et la mise en œuvre des politiques économiques.

A l'issue de ce cours, les étudiants devront être capables de :

- de lire des articles économiques publiés à la fois par des institutions nationales ou internationales, mais également par des journaux de la presse économique spécialisée
- d'exposer les grands problèmes économiques contemporains et ainsi aider dans leurs décisions stratégiques les responsables d'entreprises confrontées notamment à un environnement économique incertain

MODALITES PEDAGOGIQUES

Les étudiants ont l'obligation d'assister à tous les cours. Un manquement à cette règle de principe lors des séances où se dérouleront le contrôle continu (en dehors d'événement justifié par un certificat médical ou justifié par l'administration) sera sanctionné d'un 0 pour l'évaluation du contrôle continu.

Les cours commencent à l'heure et une fois la procédure d'appel terminée, les étudiants se verront refuser l'accès en cours.

EVALUATION

L'évaluation de ce cours est basée sur du contrôle continu (comptant pour 50%) et un examen final de 2h (comptant pour 50%).

Le contrôle continu reposera sur un travail écrit en binôme/projet qui portera sur un sujet en lien direct avec les enseignements. Les étudiants devront rendre ce travail avant la dernière séance. Les thèmes de travail seront donnés aux étudiants en début de cours.

PLAN DES SÉANCES

Managerial Economics	Sujets	Heures
I	Notions de base et faits stylisés	3
II	Fonctionnement des marchés et concepts d'équilibre	3
III	Les déterminants de la croissance économique	3
IV	Les fluctuations économiques	3
V	Les politiques économiques	3

MULTINATIONAL BUSINESS FINANCE

COURSE OBJECTIVES

Given the globalization of the business sector and the integration of the economies of the world, an understanding of the impact of the global economy, macro economy and the business sector of a specific country is vital to the success of any person engaging in the business world. This class is designed to expand your understanding of global economics. The purpose is that you develop a theoretical and practical knowledge exchange rates and foreign exchange markets; exchange rate policy; macroeconomic coordination; developing countries and the problem of third world debt; and global capital markets.

TEACHING METHODS & PEDAGOGY

This course will be split into 5 face-to-face sessions of 3 hours each.

For each session, students will have assigned readings on which the class will be based.

Course will include:

- structured presentations with problem solving
- case studies
- assignments

EVALUATION & ASSESSMENT

Four quizzes (between 5 and 10 minutes each): 40%

Oral participation: 10%

Final Exam (2 hours): 50%

COURSE OUTLINE

Multinational Business Finance	Topics	Heures
I	Lecture 1: Current Multinational Financial Challenges (Chapter 1) and The International Monetary System (Chapter 3)	3
II	Lecture 2: The Balance of Payments (Chapter 4)	3
III	Lecture 3: The Foreign Exchange Market (Chapter 6)	3
IV	Lecture 4: The International Parity Conditions (Chapter 7)	3
V	Lecture 5: Currency Derivatives (Chapter 8)	3

INTRODUCTORY TO ECONOMETRICS FOR FINANCE

COURSE OBJECTIVES

This course should help students to:

- gain understanding of statistical evaluation of financial problems
- learn diagnostic tools for carrying out econometric modeling and forecasting
- obtain knowledge of univariate time series and panel models

TEACHING METHODS & PEDAGOGY

Following rules are to be observed in order to maintain a healthy learning environment:

- students are required to attend all classes. Students will not be allowed to enter once attendance is complete and the lecture has started
- use of mobile phones is prohibited during the class
- talking and whispering without the instructor's permission is forbidden

EVALUATION & ASSESSMENT

50% marks are allotted to the final examination, which will in part consist of multiple choice questions and in part practical computer-based exercise.

35% marks will be based on the practical assignments given during the course. Students will be required to solve the problems and provide complete answers along with the methodology employed. Assignments need to be submitted before the next lecture. Electronic submission at mazhar.mughal@esc-pau.fr will be encouraged. Students are allowed to work in pairs. In case of an in-pair-work submission, both students will be awarded same marks.

Assignments carrying bonus marks will occasionally be given.

15% marks will be reserved for class participation. Both the quality and quantity of student's participation will be considered. Participation includes attendance, preparedness for the lecture and active participation in class discussions.

COURSE OUTLINE

Introduction to Econometrics for Finance	Topic	Hours
I	Econometrics: introduction and data types	2
II	Ordinary Least Squares and its properties	4
III	Classical Linear Regression Model	8
IV	Model diagnostics	10
V	Panel data models	6

ANALYSIS OF BUSINESS CONDITIONS & FORECASTING

COURSE OBJECTIVES

This course is application-oriented. It's an intensive study on business conditions and forecasting methods. The lectures cover topics such as formulation of research questions, business environment and risk analysis, collection of time series and survey data, specification of models, applications of forecasting techniques, and interpretation and communication of the results.

EVALUATION & ASSESSMENT

30% Assignments and Class Presentations

40% Final Exams

30% Research Paper

COURSE OUTLINE

Analysis for Business and Forecasting	Topics
Lecture 1	Business Condition, Environment, and Risk Analysis Unit 1: Business Environment - Industrial Structure and Regulations - Information Technology and Big Data - Globalization (Opportunities and Challenges) Unit 2: Analysis of Risk and Uncertainty - Macro Risk: Definitions, Measurement and Responses - Business Risk: Causes, Assessment and Business strategies - International Risk Sharing Unit 3: Forecasting Methods - Survey - Economic and Business Indicators - Prediction Markets - Expert Opinions/Delphi Methods - Models - Data Structure - Basic Commands in EViews 7
Lecture 2	Review of Statistics
Lecture 3	Review of Regression and EViews Applications Classical Linear Regression Models Gujarati, Chapters 6, 7, and 8.
Lecture 4	Model Specification and Diagnostic Tests Gujarati, Chapters 12, 13, and 14.
Lecture 5	Dummy Variable and Seasonality Gujarati, Chapter 10; Diebold, Chapter 6
Lecture 6	Limited Dependent Variable
Lecture 7	Trend Forecasting

	Modeling Trend Smoothing Techniques Diebold, Chapters 4 and 5.
Lecture 8	Univariate Time Series Modeling MA, AR, and ARMA Diebold, Chapters 7, 8, 9 and 10
Lecture 9	Combining Trend and Seasonal Components
Lecture 10	Large Scale Models, VAR and Forecasting Gujarati, Chapter 15; Diebold, Chapter 11.
Lecture 11	Evaluating and Selecting Models Diebold, Chapter 12.
Lecture 12	Unit Roots, ECM, and Cointegration Gujarati, Chapter 16; Diebold, Chapter 13.
Lecture 13	Modeling Volatility with ARCH, GARCH and MGARCH Model Diebold, Chapter 14

FINANCIAL DERIVATIVES & ALTERNATIVES INVESTMENT

COURSE OBJECTIVES

The course provides an overview of the structure and functioning of financial derivative market. It also introduces important financial derivatives such futures, options, swaps and their variants with focuses on pricing framework, trading strategies and risk management. The course also covers fast emerging alternative investment market giving an understanding of commodities, real estate, mutual funds, exchange traded funds, hedge funds, venture capital and private equity. It highlights the role of these alternative assets in the portfolio diversification process.

The course aims at providing an insight into the working of financial derivatives market, pricing instruments and their use in strategy design. The course also aims at introducing different types of alternatives investments, which compete with capital market assets. The purpose is also to highlight the role of these alternative investments in asset allocation process.

LEARNING OBJECTIVES

On successful completion of the course, the students shall be able to understand:

- how financial derivatives market function and what are their linkages with the cash market
- how different financial derivatives are priced and how successful trading strategies can be formed for type of instrument
- how derivatives instruments can be used for risk management.
- important differences as well as linkages between alternative investment market and capital market
- the role that alternative investment play in asset allocation framework

TEACHING METHODS & PEDAGOGY

- face to face lectures involving structured presentations, problem solving and case studies
- project study work

Students are expected to actively participate to the class by asking questions and by expressing their critical point of view. Discussion on the different topics is encouraged

Students are expected to be present in class in time and have prepared readings and exercises.

EVALUATION & ASSESSMENT

The assessment shall comprise of three components:

- concept Test of 20 marks involving 20 multiple choice questions. The objective is to test the conceptual knowledge and its applications to real life situations
- final examinations of 60 marks, comprising of short and long question answers and numerical problems. The objective is to test whether the students have acquired in-depth knowledge and possess writing skills on the subject as well as check their problem solving abilities

- project study (Group assignment) of 20 marks. Student shall prepare a group project report on specified topics and in a format provided by the faculty (resource person)

COURSE OUTLINE

	Topics	Hours
Financial Derivatives		
I	Forward and Futures Contracts: Financial Derivatives: An Overview; Forward and Futures Market Organisations, Features and Trading Mechanism, Role of Marked-to-Market Margins, Futures Pricing Models – Cost of Carry Model under Perfect and Imperfect Market Conditions, Expectations Models; Theory of Normal Backwardation and Contango; Statistical Characteristics of Futures Prices	3
II	Advanced Issues in Futures Contracts: Stock and Stock Index Futures, Interest Rate Futures – T-bill, Euro Dollar, T-note, T-bond and Municipal Bond Futures Contracts; Currency Futures – The Currency Market & Instruments, Absolute and Relative Purchasing Power Parity Theorem, Covered and Uncovered Interest Rate Parity Theorem; International Fisher's Effect.	6
III	Options Contracts: Market Organization, Types of Options, Option and Moneyness, The Put-Call Parity Theorem, Option Pricing Models – Binomial and Black-Scholes Models; Option Greeks; Option Strategies	3
IV	The Swaps Market: Motivation for Swaps, Interest Rate and Cross-Currency Swaps, Swap Pricing, Swap Portfolio Management, Flavoured Swaps Including Commodity and Equity Swaps	3
V	Empirical Research on Financial Derivatives: The Concept of Stationarity and Co-integration; Error Correction Models and Causality Tests, Testing for Price Discovery and Volatility Spillovers in Financial Derivatives Market	3
Alternative Investments		
VI	Alternative Investments – I: The Managed Funds: Mutual Funds – Types, Fund Fees and Expenses, Performance Evaluation; Venture Capital Funds – Types & Features, Fund Evaluation; Hedge Funds – Basic Features, Types, Strategies and Performance Evaluation	4
VII	Alternative Investments – I: Real Estate and Commodities Market: Real Estate – Basic Features, Types, Real Estate Indices, Concept of Reit's, Valuation Models Commodities Market – Agri Commodities, Bullion and Base Metals, Energy Products, Organisation and Trading in Commodity Market, Regulatory and Tax Aspects,	4
VIII	Equity Investments: Types of Equity in Preference Shares, ADR's and GDR's; Concept of Risk and Return; Role of Currency Risk; Industry Classification Systems; Basic Framework of Company Analysis – Business and Financial Analysis; Equity Valuation Approaches – Dividend Capitalization Models, Free Cash Flows to Equity Approach, Relative Valuation Approach – Price Earnings and Other Price Multiples.	4

GOVERNANCE

LEARNING OBJECTIVES

This is an introductory course to corporate finance.

In this course, we address several questions regarding corporate governance:

- does corporate governance matter?
- what works in corporate governance?
- does good corporate governance affect the firm's financial performance?

TEACHING METHODS & PEDAGOGY

Each session will be divided into two parts:

- the first part will be devoted to lectures
- the second part will be devoted to student presentations

Students are expected to be on time and attend all classes. Students are required to attend exams on the scheduled date.

EVALUATION & ASSESSMENT

The implementation of a group project (50%) (written document and oral presentation)

Each group is composed of at least 4 students working and presenting their project.

Each group has to evaluate the corporate governance of a firm.

Final Exam (50%): 1h.

COURSE OUTLINE

I	Introduction : Meaning of corporate governance <ul style="list-style-type: none"> ○ The Separation of Ownership and Control ○ Agency Theory
II	Moral Hazard Problem Managerial Incentives: An Overview
III	The Board of Directors Illustration: The failure of Enron.
IV	Financial structure <ul style="list-style-type: none"> ○ Modigliani-Miller Theorem
V	Financial structure <ul style="list-style-type: none"> ○ Bright and Dark side of Debt ○ The Bright side of debt The Dark side of debt

CORPORATE & INVESTMENT DECISIONS

COURSE OBJECTIVES

The course is a continuation of the basic concepts of corporate finance relating to time value of money, risk, return and securities' valuation already taught in ESC1. It examines the important issues in corporate finance from a perspective of financial managers who need to make significant investment and financing decisions. The course integrates the underlying theories and corporate practices for developing a rational decision making framework for finance managers.

The course is focused on providing knowledge of fundamentals of corporate finance and an understanding of major corporate finance decisions involving long and short-term investments, financing and income distribution. It provides an insight into the way corporate finance managers scan the business environment and make decisions for creating wealth.

LEARNING OBJECTIVES

Upon successful completion of the course, the students shall be able to:

- understand the basic corporate finance concepts and their application to corporate situations
- evaluate long-term investment alternatives and identify sources of finance as well as assess the impact of financing mix on cost of capital and corporate valuation.

TEACHING METHODS & PEDAGOGY

This course will be split into 4 face-to-face sessions. Students are expected to actively participate to the class by asking questions and participating in problem-solving exercises. For each session, students will have assigned materials on which the class will be based.

The course will include:

- structured presentations with problem solving
- case study
- assignments – Mini-Quizzes/home assignments

Students are required to bring their calculators or laptops. The professor will be using the Texas Instruments BA-II Plus for problem solving. More sophisticated financial calculators are also acceptable. It is **your responsibility** to be able to use your calculator. The financial calculator needs to have present and future value functions, annuity functions and cash flow registers or worksheets.

Classroom environment: I really enjoy teaching and want to create an environment that enhances the classroom learning experience. I encourage you to ask questions and participate in class. You are expected to act respectfully in the classroom at all times. Please refrain from speaking when someone else is speaking. Electronic devices, including but not limited to **cell phones**, are to be put away out of sight, in your pockets, purses, or backpacks, at all times during class. Anyone violating these rules will be subject to a reduction of grade points at my discretion.

Attendance: Class attendance is required. We will spend a lot of class time solving problems and working on valuation techniques. It is also the opportunity for you to clarify issues and resolve problems.

EVALUATION & ASSESSMENT

Prior to each class meeting, the student needs to have reviewed the assigned slides and readings. The final exam will account for 80% of the final grade. It will consist of MCQs and problems. The remainder of the final grade is composed of 3 mini-quizzes/homework assignments over classroom materials and class participation.

Your final grade will be weighted as follows:

- 10%: Class Participation
- 40%: 3 mini-quizzes/homework/case assignments over classroom materials
- 50%: Final Exam

Class Participation: 10% of your grade will be based upon your participation and engagement in the classroom. Class discussion enhances critical thinking and adds value to the class experience. You are expected to be in class on time and to attend all class sessions, unless excused. Review the assigned power point slides before each class and be prepared to discuss the information in class. Class participation grades will be based upon my overall assessment of how well you are prepared to respond to my questions and the extent and quality of voluntary participation in class. If you miss any class time I will deduct points from your class participation score accordingly.

Final Exam: 50% of your grade will be based upon a final exam. Exam will be based on the lecture material and is a test on how well you can understand and apply the information learned throughout the course. Exam format will be a mix of multiple choice questions, problems and short-answer questions. This will be a closed-book exam.

COURSE OUTLINE

Corporate & Investment decision areas	Topics Covered
Capital Budgeting	Discounted Cash Flow Review Capital Budgeting: 1) Basic process and principles 2) Estimating cash flows 3) Capital budgeting techniques a) Accounting rate of return (ARR) b) Payback period c) Net Present Value (NPV) d) Internal Rate of Return (IRR) e) Profitability index method f) Real Options and Abandonment

<p>Cost of capital</p>	<p>Cost of Capital - Fundamental concepts and measurement</p> <ol style="list-style-type: none"> 1) Estimating component costs <ol style="list-style-type: none"> a) Debt b) Preference/preferred equity shares c) Common equity <ol style="list-style-type: none"> i) Retained earnings ii) New common – Flotation Costs 2) Weighted Average Cost of Capital (WACC) 3) Marginal Cost of Capital (MCC) and the optimal capital budget
<p>Measurement of leverage</p>	<p>Leverage Concepts in Finance</p> <ol style="list-style-type: none"> 1) Operating Leverage - DOL 2) Financial Leverage - DFL 3) Break-even analysis, 4) Relationship between DFL, cost of capital and firm valuation.
<p>Dividend Policy, Share Repurchases and Firm Valuation</p>	<p>Dividend policy</p> <ol style="list-style-type: none"> 1) Types of dividends 2) Dividend payout and share valuation 3) Modigliani and Miller (MM) dividend irrelevance hypothesis 4) Determinants of dividend policy 5) Signaling effects and equity valuation 6) Corporate dividend behavior <ol style="list-style-type: none"> a) Stock dividends and splits b) Equity repurchases c) Leveraged buyouts d) Dividend Reinvestment Plans (DRIPS)

FINANCIAL ACCOUNTING, REPORTING & ANALYSIS 2

COURSE OBJECTIVES

The class focuses on the understanding and the analysis of the three financial statements published by companies, i.e. income statements, balance sheet and cash flow statements. This analysis will be implemented under the external financial analyst point of view. A special focus will be made on some challenging components of financial statements.

LEARNING OBJECTIVES

After having attended this course, students will be able to satisfy the following learning outcomes, listed by main topics to:

- describe the different inventory cost flow methods, understand how to calculate COGS, ending inventory and gross profit under each of these methods, understand the effects of each method on a firm's ratios, evaluate firm's effectiveness in managing its inventory. Restate accounts between LIFO and FIFO
- understand the effects of and issues concerning capitalization versus immediate expensing of various costs regarding long-term assets, describe the different depreciation methods and the effect of the choice of a depreciation method on the income statement, describe the amortization methods, determine if an asset is impaired, being familiar with the revaluation (fair value) model under IFRS and the disclosure requirements for financial reporting
- be aware of the income taxes terminology that relates to each financial reporting and tax reporting standards. Calculate taxes payable, tax expense, deferred tax liabilities and assets and make the necessary adjustments for analytical purposes
- understand the financial statement effects of some long-term liabilities such as issuing a bond at par, at a discount or at a premium, the classification of a lease as either an operating or finance lease affects the balance sheet, income statement and cash flow statement from both the lessee and lessor perspectives
- understand the different employee compensation plans and their impact on the company's financial statements: distinguish between the two types of pension plans and determine the economic status of a defined benefit plan
- understand the accounting mechanism for foreign currencies
- understand some of quoted companies' disclosure issues

TEACHING METHODS & PEDAGOGY

This course will be split into 10 face-to-face sessions of 3 hours each.

Students are expected to be in class on time. After the calling-up of the class, students will not be allowed to attend the class.

Personal computer is not allowed unless specified by the lecturer.

The use of mobile phone is forbidden.

EVALUATION & ASSESSMENT

The course “Financial Reporting & Analysis 1” is a pre-requisite to this class. Students that did not attend this course are invited to look at the course syllabus to get the required knowledge.

Each session has to be prepared by students through assigned readings. The course will not go through the whole topics included into readings especially those that have been taught in previous courses. However, they are supposed to be learned by students.

Three in-class 15-20 minute tests will be proposed to students.

They will be dedicated to theoretical concepts checks. The 3 grades obtained will be averaged to obtain the CCO grade which will account for 50% of the final grade. Students absent to any in-class test will get 0/20 grade to the test.

No resit of the in-class tests will be possible.

The final exam will account for 50% of the final grade. It will take the form of a mix between MCQ based on the CFA® exam format and exercises.

COURSE OUTLINE

Module Financial Accounting	Topics	Hours
Inventory	Inventory accounting methodologies. Restating from LIFO to FIFO (COGS, Inventory & other BS lines).	3
LT Assets	Recognition methods, interest capitalizing or interest expense, depreciation rules and their impact on analysis, impairment and derecognition of assets, lease recognition for lessee and lessor.	9
Income Tax	Income tax system and recognition, deferred tax.	3
LT Liabilities	Bonds recognition (at issue date, at redemption date), employee pension liabilities.	6
Multinational accounting foreign currencies translation	Foreign currency translation : technics of currency translation, functional currency and presentation currency concepts, IFRS and US GAAP regulations in respect of foreign currency transactions and translating foreign entities, and other specific issues (goodwill, case of subsidiaries located in hyperinflationary economies)	6
Disclosure issues	Segmentation reporting, events after the reporting date, interim financial reporting, measuring earnings quality, judging revenues quality	3