

Orientation Week lecture: Corporate characteristics, management and control

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EC3318 Financial Economics: Corporate Finance
MN3101 Corporate Finance and Control

University of St Andrews Business School
12 September 2025



University of
St Andrews

Part 1: Module overview

- Module content
- Semester schedule
- Assessments
- Tutorials and labs
- References

Part 2: Corporate characteristics, management and control

- What is Corporate Finance?
- Forms of business organisation
- Real life company examples
- Corporations
- Financial management decisions
- Financial markets



Part 1. Module overview

General points:

- EC3318 and MN3101 are exactly the same module.
- What this module is about: corporate financial decisions, governance, and value creation.
- Who we are: [Dr Christian Engels](#) (module coordinator) and [Dr Eleonora Sfrappini](#).
- Where to find everything: Moodle page.
- Module delivery via lectures, tutorials and computational labs.
- Lectures are in person; start at 5, end at 55.
- All *lectures* will be recorded with transcription.



By the end of this module, students will be able to:

- Define and explain corporate financial objectives
- Apply computational techniques to value corporations and investments.
- Evaluate classical theories of corporate financing decisions
- Analyse how market, social, and legal environments impact corporate financing decisions
- Apply merger theory to real-world scenarios
- Understand sustainable finance principles and their practical applications



Module timing over the semester

Week	Topic	Lab/Tutorials
Orientation Week	Corporate characteristics, management, and control	
Week 1	Discounting, compounding, and investment appraisal	
Week 2	Discount factors and cost of capital	Labs
Week 3	Valuation models: stocks and bonds	
Week 4	Capital structure with perfect/imperfect capital markets	Labs
Week 5	Class test	
Week 6	Independent Learning Week	
Week 7	Payout policy with perfect/imperfect capital markets	Tutorials
Week 8	Raising equity capital, funding sources, and IPOs	
Week 9	Mergers	Tutorials
Week 10	Sustainable corporate finance	
Week 11	Revision	Tutorials



Assessment	Weight (%)	(Due) Date
Class Test	25	Week 5, Tuesday, 4pm-5pm (replacing lecture)
Technical Assignment	25	Week 9, Friday, 12pm noon
Final Exam	50	TBC, during Examination Weeks 13-15 (8 Dec – 22 Dec)



Class test (25%)

- Covers materials from Weeks 1–4
- 50 minutes
- Mix of multiple choice and short answer questions
- **Calculator required in line with calculators policy**

Technical assignment (25%)

- “Should firms diversify?”
- Short essay with quantitative component
- **Python labs will prepare you**

Final exam (50%)

- Two parts:
 - Part A: Short answer questions (70%)
 - Part B: Choice between two questions (30%)
- **Tutorials very important!**
- We will let you know assessable topics
- More details in Revision lecture



Tutorial and Lab sign-up on MMS

Please note these important points:

- Sign-up opens **Fri 12 Sep 2025, 09:00** and closes **Fri 19 Sep 2025, 12:00 (noon)**.
- You must sign up for **both a tutorial and a lab** (not one or the other).
- Attendance is required. Check your timetable across *all relevant weeks* before choosing to avoid clashes.
- Places are limited; if a group is full, please choose an alternative.
- If you do not sign up by the deadline, you will be **automatically assigned** to a group with space.

When sessions run

Labs: Weeks 2 and 4

Tutorials: Weeks 7, 9 and 11

Queries

EC3318: econadmin@st-andrews.ac.uk

MN3101: manug@st-andrews.ac.uk



Textbooks:

Hillier, D., Ross, S., Westerfield, R., Jaffe, J. & Jordan, B. (2021) Corporate Finance. 4th ed. London: McGraw-Hill Education. ISBN-13: 9781526848086.

Brealey, R. A., Myers, S. C., Allen, F., & Edmans, A. (2022). Principles of Corporate Finance (14th ed.). McGraw-Hill Education. ISBN: 978-1265074159.

Python labs:

Scheuch, C., Voigt, S., Weiss, P., & Frey, C. (2024). Tidy Finance with Python. Chapman and Hall/CRC. Available online: <https://www.tidy-finance.org/python/>

Online introductory tutorials by Software Carpentry:

- 1 [Programming with Python](#)
- 2 [Plotting and programming with Python](#)

Additional resources:

Required and further reading will be provided each week.



Communication (aka please regularly check your emails):

- Dr Christian Engels — ce50@st-andrews.ac.uk
- Dr Eleonora Sfrappini — es373@st-andrews.ac.uk
- Communication: Announcements via MMS email distribution.
- *In first instance, for questions please consult Moodle page, module guide and emails.*

Office hours:

Dr Engels Tuesdays 2pm-4pm

Dr Sfrappini Mondays 10am-12pm noon

Please book slots via the links on Moodle. If all are booked, we will make more available.



Part 2: Corporate characteristics, management and control

- The Concept of Corporate Finance
- Forms of Business Organisation
- Corporate Finance Decisions
- The Goal of Corporate Finance Decisions
- Financial Markets and the Corporation



- 1 Hillier, D., Ross, S., Westerfield, R., Jaffe, J. and Jordan, B. (2021) Corporate Finance. 4th ed. Chapter 1.
- 2 Brealey, R. A., Myers, S. C., Allen, F., & Edmans, A. (2022). Principles of Corporate Finance (14th ed.). McGraw-Hill Education. ISBN: 978-1265074159. Chapter 1.
- 3 La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (1999) Corporate Ownership Around the World. Journal of Finance 54, 471-517. <https://doi.org/10.1111/0022-1082.00115>
- 4 Zingales, L. (2015) Presidential Address: Does Finance Benefit Society? Journal of Finance 70, 1327-1363. <https://doi.org/10.1111/jofi.12295>



What is Corporate Finance?

- Finance is the management of money
- Cash equivalents & movements
- Corporate finance is managing cash flows of a corporation
- Corporate finance vs. business finance
- Cash flows are generated from corporate assets



Forms of Business Organisation: Sole Trader

- Owned and run by one person
- Cheap to form
- No corporation tax (profits taxed as personal income)
- But difficult to transfer ownership
- Unlimited liability
- Life span of the business is limited to the life span of the trader
- Capital raised is limited to personal wealth



- Owned by two or more partners
- Inexpensive to form
- Ownership transfer is also difficult (decided by the general partner)
- Limited lifespan
- Taxed as personal income to the partners



- General Partnership: all partners have unlimited liability
- Limited Partnership: general partners have unlimited liability, limited partners with limited liability
 - Limited Partnership: general partners manage the business
- Limited Liability Partnership (LLP = LLC in the U.S.): all partners have limited liabilities
- A partner does not have to be an actual person

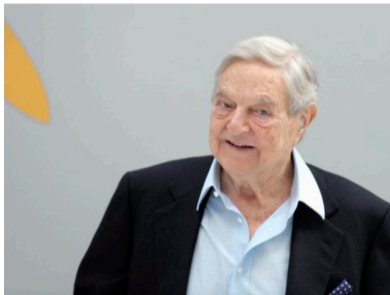


- A member of PwC International Limited
- PwC network 157 countries
- Network sales: US \$35.4 billion
- Partners (including overseas): 885
- Distributable profit per partner: £740,000



Example: Soros Fund Management LLC

- Quantum Hedge Fund: 1969
- Closed to outside investors to avoid new regulation
- As a family office, it no longer has to register with the SEC and disclose information as required under the Dodd-Frank Act of 2011
- Chairman: George Soros
- President and Deputy Chairman: Robert Daniel Soros



George Soros
Born in 1930
Chairman, Soros Fund Management

- Owned by shareholders
- Corporate tax treatment
- Limited liability
- Private vs. public corporations
- Private: shares held by a small group of investors (managers, founders and private investors)
- Public: shares held by many shareholders (individuals and institutions)



- Public (non-listed) vs. listed corporation
- Listed: shares traded on stock exchanges
- Ownership is easily transferred
- Unlimited life span
- Separation of ownership and control
- Highly regulated (external and internal)



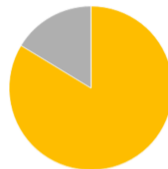
Ownership example

The Bank of New York Mellon

Founded 1784

Oldest bank in America

First on NYSE



Institutional Holdings 83.69%

Total Number of Holders 947

Total Shares Held 901,393,034

Total Value of Holdings 36,272,055,688

Net Activity (6,847,091)

Top 5 Holders of Institutional Holdings

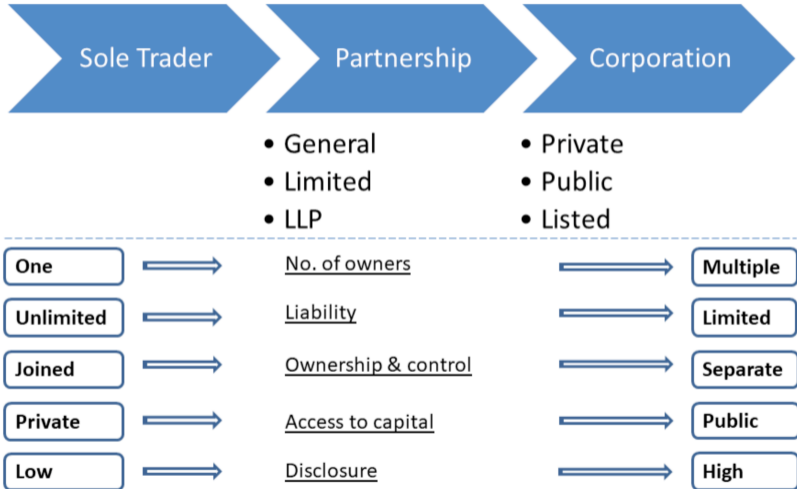


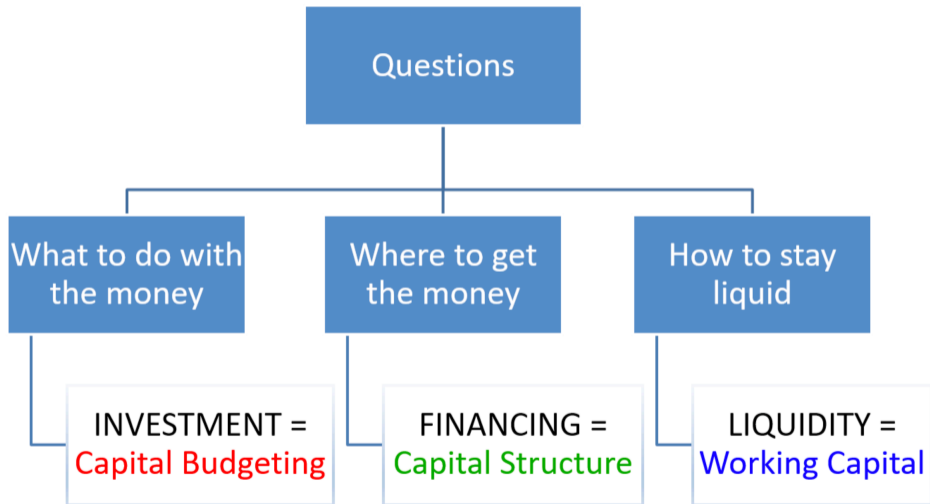
1. **VANGUARD GROUP INC** 60,106,066
2. **PRICE T ROWE ASSOCIATES INC /MD/** 56,913,143
3. **DODGE & COX** 54,285,547
4. **STATE STREET CORP** 47,491,120
5. **MASSACHUSETTS FINANCIAL SERVICES CO /MA/** 40,450,138

Source: NASDAQ (2015)



Summary: Business Organisations





- Plan/manage long-term investments: which projects?
- Cost-benefit analysis of investments.
- Cash flows: magnitude, timing, and risk (probabilities).



- Mix of debt (borrowed) and equity (owned).
- Short- vs long-term debt.
- How much should the firm borrow? Cheapest sources of funds?
- Raising capital: where, how, and when?



- The management of short-term assets and liabilities
- How much cash and inventory should be on hand?
- Sell on credit? If so, on what terms and to whom?
- How can short-term financing be obtained?



The Interlocking Relationship



Case: Northern Rock

- 1965: formed from Northern Counties Permanent Building Society (1850) and Rock Building Society (1865).
- 1997: demutualised to PLC.
- Aug 2007: £3bn retail deposits withdrawn (11% of total).
- Wholesale funding ~62%; liquidity crisis despite asset quality.
- Later acquired by Virgin Money (2010).



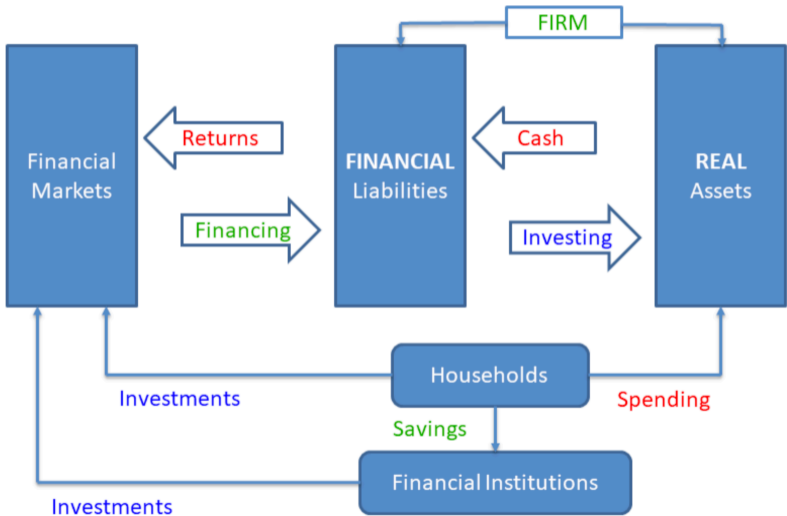
- Align value creation with broader social responsibility.
- Shareholder value vs. stakeholder considerations.
- Long-term value through investment, governance, and incentives.



- Financial decisions require financial managers to interact with financial markets
- Real vs. financial assets
- Real assets: generating income
- Financial assets: distributing income
- Cash flows generated by firms should be greater than those from financial markets



The Financial System



Money Market

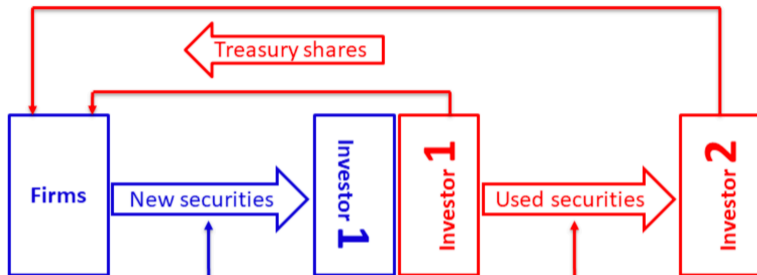
- Short-term instruments
- Electronic networks
- Large amounts
- Low transaction costs
- Dealer market
- Institutional investors
 - Forex market
 - Interbank lending
 - MM instruments: repos (OMO); CDs; T-bills; commercial papers; banker's acceptance

Capital Market

- Long-term instruments
- Organised exchanges
- Small amounts
- Higher transaction costs
- Broker market
- Individuals and institutions
 - Long-term bank loans
 - Bonds
 - Equity



Primary vs Secondary Markets



PRIMARY MARKET

- IPO vs. Seasoned Offering
- Cash goes to issuing firms

SECONDARY MARKET

- Share Prices
- Cash goes to investors



Thank you for listening.

For issues or questions come to my office hours.

Or send me an email at ce50@st-andrews.ac.uk

