LEARNING OUTCOMES

Analysis of Dividends and Share Repurchases

The candidate should be able to:

- describe the expected effect of regular cash dividends, extra dividends, liquidating dividends, stock dividends, stock splits, and reverse stock splits on shareholders’ wealth and a company’s financial ratios
- compare theories of dividend policy and explain implications of each for share value given a description of a corporate dividend action
- describe types of information (signals) that dividend initiations, increases, decreases, and omissions may convey
- explain how agency costs may affect a company’s payout policy
- explain factors that affect dividend policy in practice
- calculate and interpret the effective tax rate on a given currency unit of corporate earnings under double taxation, dividend imputation, and split-rate tax systems
- compare stable dividend with constant dividend payout ratio, and calculate the dividend under each policy
- describe broad trends in corporate payout policies
- compare share repurchase methods
- calculate and compare the effect of a share repurchase on earnings per share when 1) the repurchase is financed with the company’s surplus cash and 2) the company uses debt to finance the repurchase
- calculate the effect of a share repurchase on book value per share
- explain the choice between paying cash dividends and repurchasing shares
calculate and interpret dividend coverage ratios based on 1) net income and 2) free cash flow
identify characteristics of companies that may not be able to sustain their cash dividend

Environmental, Social, and Governance (ESG) Considerations in Investment Analysis

The candidate should be able to:
- describe global variations in ownership structures and the possible effects of these variations on corporate governance policies and practices
- evaluate the effectiveness of a company’s corporate governance policies and practices
- describe how ESG-related risk exposures and investment opportunities may be identified and evaluated
- evaluate ESG risk exposures and investment opportunities related to a company

Cost of Capital: Advanced Topics

The candidate should be able to:
- explain top-down and bottom-up factors that impact the cost of capital
- Compare methods used to estimate the cost of debt.
- explain historical and forward-looking approaches to estimating an equity risk premium
- compare methods used to estimate the required return on equity
- estimate the cost of debt or required return on equity for a public company and a private company
- evaluate a company’s capital structure and cost of capital relative to peers

Corporate Restructurings

The candidate should be able to:
- explain types of corporate restructurings and issuers’ motivations for pursuing them
- explain the initial evaluation of a corporate restructuring
- demonstrate valuation methods for, and interpret valuations of, companies involved in corporate restructurings
- demonstrate how corporate restructurings affect an issuer’s EPS, net debt to EBITDA ratio, and weighted average cost of capital
- evaluate corporate investment actions, including equity investments, joint ventures, and acquisitions
- evaluate corporate divestment actions, including sales and spin offs
- evaluate cost and balance sheet restructurings