

CORPORATE FINANCE

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AREA: **Acctg-Finance**

▣ **Master of Science in Management**

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COURSE DESCRIPTION:

Corporate Finance deals with the two main challenges faced by the financial management of a company: the investment decision, concerning the use of company resources in productive projects, and the funding decision, or of capital structure, which examines how to obtain the money needed to finance the investments.

We first review the basic concepts of the investment decisions: the NPV and the IRR; the notion of risk to address the relationship between risk and profitability, enabling us to reach the CAPM formula, the main tool of valuation of assets; the weighted average cost of capital (WACC). Then, we should study in detail the methods of financing the company or, in other words, the capital structure. We will investigate the different types of debt financing, contrasting them with the rights and obligations arising from financing via equity (shares). The course will also study the interaction of the company with its shareholders and will provide an introduction to the financial markets.

TEACHING AND LEARNING ACTIVITIES:

There will be 10 three-hour sessions and 5 exercise sessions distributed over ten weeks. Additionally the module requires the preparation of lectures and cases through personal study, and the completion of individual and/or team complementary tasks.

Lectures will mainly develop the concepts and methodologies that make up the five items of the course list. These classes are based on the textbooks that support the

course, but we have also prepared a set of slides that set out the main material more specifically. Both the textbook and the slides should be the fundamental support for personal preparation before and / or after the lectures.

In addition, the lecture sessions will include the discussion of some business cases related to the lectures. During those sessions, we will encourage student participation in the discussion. This participation, which will be evaluated individually, is essential to achieve the learning objectives of the course.

We will circulate problem sets with practical exercises. We recommend that you work in groups to solve problems. The maximum group size is 2 people. Please submit one solution per group. All group members will receive the same score. Verify that you place the names of all who worked on the problems. These exercises must be handed-in before the exercise sessions, in which we will discuss some of the most relevant exercises.

EVALUATION

To pass, you should get at least 50 points out of 100, according to the following distribution:

Final exam: 50 points (must get at least 24 to pass the course)

Attendance and (active) participation in the seminars: 30 points. This will include group presentations (details will be provided later on).

Problem sets: 20 points.

BIBLIOGRAPHY

The textbooks that will serve as main references are Brealey, R. A., Myers, S. C., Allen, F. Principles of Corporate Finance; Berk and P. DeMarzo, Corporate Finance; and Grinblatt and S. Titman, Financial Markets and Corporate Strategy. You might use them as future references. The library also has several copies available.

You also have a detailed list of required and optional reading, including journal articles, which might be updated during the course. You should also be reading the Financial Times or the Wall Street Journal on a regular basis and the Economist once a week. During the course, we might be referring to press coverage, and corporate and market news and events, if these are related to, or help to illustrate, topics we are covering in the course. Some paperbacks for “bedtime reading” include A Random Walk down Wall Street and Barbarians at the Gate.

TENTATIVE SCHEDULE

Class	Date	Weekday	Subject	BMA Chap.
1	6/11	Tuesday	Introduction /Investment decisions	14, 15.1/5-9
2	12/11	Monday	Investment decisions/ Capital structure	5-9/17-18
3	13/11	Tuesday	Capital structure	17-18
4	19/11	Monday	Capital structure/Debt Financing	17-18/23-25
5	20/11	Tuesday	Debt Financing	23-25
6	26/11	Monday	Debt Financing	23-25
7	27/11	Tuesday	Debt Financing/ Equity Financing	23-25/1.4, 34.2, 16
8	3/12	Monday	Equity Financing/Company Valuation	1.4, 34.2, 16/4, 19
9	4/12	Tuesday	Company Valuation	4, 19
10	10/12	Monday	Company Valuation/Review	4, 19