Corporate Finance (Financial Analysis Business Evaluation) (Degree in Management and Business Consultation)

Prof. Luca Francesco Franceschi; Prof. Ernesto Rossi

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course looks at the issue of company valuations, examining the individual phases of the entire valuation process (analysis of financial statements, forecasts of company performance, and the application of valuation models).

The course will provide the essential knowledge needed for applying various valuation methods which are used by financial analysts, investment banks, merchant banks, and consulting firms in their valuation of companies.

The course aims to provide the fundamental knowledge for applying the business evaluation methods used by financial analysts, investment and merchant banks and consulting firms.

At the end of the course, students will be able to:

1. know and understand the technical/operational methods used to analyse the historical and prospective cost efficacy of a company being evaluated;

2. know and understand the different phases in which the evaluation of a company's capital takes place;

3. implement the various financial models for estimating business value;

4. possess useful skills for autonomously carrying out an assessment of business capital from the financial analyst's perspective;

5. use a technical language that allows them to communicate their acquired knowledge clearly and effectively.

***COURSE CONTENT***

*First Module: Prof. Luca Francesco Franceschi*

 The interpretative analysis of company results.

– Historical analysis of the profit and loss statement and balance sheet.

– Calculation and analysis of the cash flows.

 Preparing forecasts of company performance.

– Identification of the "determinants" of growth.

– The estimation of earnings, capital and financial variables.

– The estimation of cash flows.

 Financial models (*Dividend Discount Model, Free Cash Flow Model)*

*Second Module: Prof. Ernesto Rossi*

*– The Residual Income Model* (RIM).

– Market multiples.

– Comparable transactions method.

– The assessment methods for the *impairment* test provided by IAS 36.

***READING LIST***

L.F. Franceschi-L. Comi (edited by), *Modelli finanziari per la valutazione d’azienda*, EDUCatt, Milano, 2015 (pag. 1-160).

Further study materials will be made available on-line on the Blackboard platform.

***TEACHING METHOD***

The course incorporates blended learning, in class (50%) and remotely (50%). The on-site activities are based on interactive lectures, including the framing and analysis of case studies. Remote work includes video lessons (asynchronous), practical webinars, and live feedback (in web conference). The syllabus containing the course's analytical programme will be communicated on Blackboard.

***ASSESSMENT METHOD AND CRITERIA***

a) Ongoing progressive assessment

Students who chose this exam format will be assessed as follows: 50% of the final mark is obtained through two tests (an individual test, whose percentage weight on the overall assessment is 20%, and a class test, whose percentage weight on the overall assessment is 30%), assigned during the course. More details on assessment schedule and content will be published on Blackboard. The remaining 50% will be the mark obtained in the final oral exam.

 Only students who obtain a pass mark in the interim assessments will be admitted to the final oral exam (to be held in one of the 3 exam sessions following the end of the course).

b) Summative evaluation

For students who wish to opt for a single assessment during the exam session, this will consist of a written exam lasting about two hours, followed by a compulsory oral exam.

***NOTES AND PREREQUISITES***

To gain most benefit from the lectures, prior knowledge in the preparation of financial statements, the national and international accounting standards, and the logic underlying an M&A transaction is required.

Given the complexity of the material studied, regular class attendance is highly recommended for getting a good grasp of the material.

 Students who do not have this preliminary knowledge must acquire it through individual study in order to successfully take part in the course.

To this end, the following textbooks are recommended:

L.F. Franceschi (edited by), *Bilancio di esercizio e principi contabili nazionali,* Vita e Pensiero, Milan, 2017.

A. Giussani, *Introduzione ai principi contabili internazionali,* Giuffré, Milan, 2017.

L.F. Franceschi-A.S. Bonaventura (a cura di), *Leveraged Buy-Out e crisi d’impresa: profili economico aziendalistici,* EDUCatt, 2018.

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.