# Corporate Finance

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

The aim of the course is to provide students with the basic elements for understanding the main classes of Corporate Finance decisions (i.e. capital budgeting and financial structure decisions). The course introduces subjects that will be studied in more depth during Second-Level Courses.

At the end of this course, students:

1. will have acquired the basic concepts of corporate finance to allow them to interpret the main financial decisions of the firm;
2. will be able to apply their knowledge to take investment and financing decisions in a simplified environment;
3. will be able to collect and analyze data relevant for the firm’s investment and financial decisions and make sound judgments;
4. will have acquired an appropriate language that will allow them to properly communicate their knowledge;
5. will have the learning skills to allow them to approach second-level courses in a largely autonomous manner.

***COURSE CONTENT***

1. *The pricing of financial assets*. The notion of present value. How to determine the price of bonds and shares.

2. *The use of NPV for analysing firm decisions*. The concept of Net Present Value (NPV). How to calculate the NPV of an investment project.

3. *Financial structure and financial equilibrium of companies*. The condensed balance sheet. Cash flows as elements that cause variations in the financial structures of companies. The Statement of Cash-Flows and its construction based on accounting data.

4. *Valuation.* Valuation of unlevered companies. Risk, required returns and valuation. CAPM and the Efficient Market Hypothesis.

5. *Financial Structure decisions and their impact on valuation*. The Modigliani-Miller theory and its implication for valuation.

6. *The consistency of cash-flows and discount rates in valuation*. How to take into account the interdependence between financing and investment decisions (the adjusted present value (APV), WACC and Flow To Equity (FTE) methods).

***READING LIST***

S. Ross-D. Hillier-R. Westerfield-J. Jaffe-B. Jordan, *Corporate finance* 3/e, McGraw Hill Italia, 2018.

*Dispense di Finanza aziendale,* EDUCatt, Milan, latest edition.

***TEACHING METHOD***

The course consists of 60 hours of classes, divided into 6 hours per week. The lessons include both theory and practical exercises.

***ASSESSMENT METHOD AND CRITERIA***

The exam is written and will be scheduled during the official exam session.

***NOTES AND PREREQUISITES***

*Prerequisites*

Students of the Corporate Finance course will need to use concepts and analytical tools that are covered in previous courses in order to get the most out of lectures. They are therefore advised to attend the course having already acquired adequate knowledge of the key courses content from the first three semesters, in particular Financial Accounting and Statistics I.

*Notes*

Regular class attendance is strongly recommended. Homework exercises assigned by the instructor will make it easier for students to learn the material and pass the exam. Students are strongly recommended to take account of this in the planning of their studies.

Additional teaching material and the most recent exams (with solutions of the exercises) are available on *Blackboard*.

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.