# Financial Analysis and Corporate Finance

## Prof. Claudio Mario Grossi – Prof. Luca Di Simone

**Module 1 –Financial Analysis**

## Prof. Claudio Mario Grossi

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

The course aims to introduce students to a particular approach to business management and corporate finance, that combines the concrete and practical nature of management with academic and theoretical rigour. Therefore, it will illustrate and make use of financial, accounting, and business performance measurement models that will help students acquire knowledge and skills in line with those required by the labour market they are approaching.

Given the extent of the subject, the course will be focused on the following aspects of corporate finance: the definition of ‘financially stable company’; the ways to measure stability itself; the quantitative interrelations between economic, financial, and structural aspects deriving from management choices; the relationships between companies and financial intermediaries in terms of assessment of financing transactions; the forward-looking analysis of financial balance; the forward-looking analysis of financing needs and their sustainability.

***INTENDED LEARNING OUTCOMES***

* The course aims to provide students with the ability to understand the financial dynamics of a company, as well as their impact on its balance, risk, and development conditions.
* Also, it aims to help them acquire the ability to carry out ex-post and ex-ante analysis on the financial needs of a company, and assess their sustainability and the suitability of the funding sources adopted.

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

* make use of methods and models for the analysis of the financial position of a company;
* draft forward-looking financial plans, and assess the most appropriate forms of funding, although not in detail, at least in terms of timing and planning.

***COURSE CONTENT***

* + The financial function of businesses: evolution, actual contents, perspectives.
  + The Key Performance Indicators of businesses: concepts, types, contents of the most important ones. KPIs.
  + Internal and external analyst: differences in terms of role, required skills, available tools.
  + Stable/unstable businesses: concepts and indicators (including the recommendations of Basel 2 on this subject: an introduction lasting about 1 hour).
  + Follow-up questionnaire on the concepts, schemes, and fiscal indicators explained, resolved, and commented in class (this will be also a useful tool for revision).
  + Business management and performance: a formal model and its quantitative representation;

- the main financial and economic analysis schemes and their meaning;

- the indicator system and the link with the financial dimension of businesses;

- assignment of a case study (part 1) to be analysed at home (both the text and the schemes will be made available on blackboard; the solutions of each step will be posted the day before the following lecture).

* + Commentary on the solution of the case study carried out at home.
  + Business management and financial needs: a model for the measurement of working capital needs. The correct ways to finance working capital.
  + Assignment of the second part of the case study, to be carried out at home.
  + Commentary on the solution of the case study carried out at home.
  + From working capital flows to total flows: a complete model for the analysis of business financial dynamics.
  + Assignment of the third part of the case study, to be carried out at home.
  + Commentary on the solution of the case study carried out at home.
  + Advanced models for the analysis of the return on investment and the leverage effect: four developments and concrete applications of the Modigliani/Miller equation.
  + Assignment of the fourth and last part of the case study, to be carried out at home.
  + Commentary on the solution of the case study carried out at home.
  + From historical to forward-looking analysis: the Break-Even analysis applied to a real balance sheet.
  + Balance sheet forecast: economic and financial budget.

***READING LIST***

Ciaran Walsh *, Gli indici per la gestione dell’impresa*, Prentice Hall, second edition.

Non-attending students will have to study the following chapters: Part 2 and 3 in all their parts, and chapters 15, 16, and 19 of part 5. 165 pages in total.

Attending students will not need to study the textbook, as the exam will be focused exclusively on the content of the lectures, according to a special syllabus based on the teaching material that will be made available on Blackboard at the beginning of and during the course.

Part 1 and 2 of the textbook mentioned above can be considered as the knowledge base that is necessary to join the course as attending students.

Excel-based practical activities, with solutions, will be progressively made available on blackboard during the course.

***TEACHING METHOD***

Frontal lectures; guided practical activities, carried out during the course; sample examination papers, to be carried out at home, with solutions that will be made available and verified during the lectures.

***ASSESSMENT METHOD AND CRITERIA***

For attending students there will be a specific written test on the first official exam date. On the following official exam dates of the academic year, the assessment may consist either in a written or an oral exam, at professor’s discretion, depending on the number of registered students (who will be notified with sufficient notice). In case of ‘oral exam’, and given the fact that this is also a quantitative subject, please note that the nature of the ‘oral exam’ does not prevent the lecturer from assigning short exercises and calculations that students will have to carry out during the exam itself, in front of the lecturer, with immediate assessment and discussion of the solution.

The written exam – taken either on the first official exam date or on the following ones – will be divided into two parts. The first one will consist in about 15 questions, each of which will award students with a specific mark, for a total of 31 (thirty-one). The questions can be either open-ended or closed-ended and, above all, they can include short exercises and calculations. this means that they can be slightly ‘complex’. The second part of the exam will consist in a quantitative case study, whose solution requires the correct compilation of schemes and the right calculations in terms of Historical Financial Statements, Financial Needs, Forward-looking Budgets, and, in general, the techniques and calculations learnt during the course. Also in this case, the mark will be divided depending on the requested schemes and calculations, for a total of 31 (thirty-one). The final mark will result from the arithmetic average between the two parts. Depending on the results of the written test, the lecturer will assess the need/opportunity of a supplementary oral exam related to it; however, in any case, this will not ‘increase’ the mark obtained in the written test.

***NOTES AND PREREQUISITES***

The course is designed and organised in such a way that also those who do not have a background in accounting, bookkeeping, financial statements, nor balance sheet analysis are able to learn, during classes, the fundamental knowledge they need for a proper understanding of the topics under analysis, and therefore achieve the intended learning outcomes.

Information on office hours available on the teacher's personal page at http://docenti.unicatt.it/.

**Module 2 - Corporate Finance**

## Prof. Luca Di Simone

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

Course aims – The course aims to provide the key elements to understand the main business valuation techniques and their extraordinary transactions.

It is divided into two macro-areas of interest. The first one will be focused on the widely controversial topic of business valuation; it will explore the main *pricing* techniques.The second one will carry out the conjoint and interdependent analysis of the main extraordinary transactions, such as Mergers and Acquisitions (M&A) between companies, that will be analysed from the point of view of their different *modi operandi* and payment mechanisms/transactions. Last but not least, it will also explore the main topics implied in the Corporate Governance of companies.

Intended learning outcomes – At the end of the course, students will be able to:

* assess companies or basic financial tools through the *relative valuation*;
* know and interpret the impact of the most important derivative financial instruments;
* know the main pricing techniques of derivative financial instruments;
* know the problems related to the credit risk generated by a company;
* interpret the main approaches to assess credit risk;
* know the topics related to industrial concentration processes;
* interpret the governance models adapted to the institutional and business context;
* interpret the ownership topics having an impact on the value of the enterprise.

Macro-list of topics that will be analysed in class:

* Discounted Cash Flow models
* Relative Valuation
* Derivative Financial Instruments:
* Corporate Debt & Credit Risk
* International Finance
* The Concentration processes between companies:
* Corporate Governance:

***READING LIST***

R. Brealey-S. Myers-Allen-S. Sandri, *Principi di finanza aziendale*

A. Damoran, *The dark side of valuation*

J. Hull, *Fondamenti dei Mercati di Futures e Opzioni*

***TEACHING METHOD***

The course will be based on frontal lectures. At the beginning of the course, the Syllabus containing all the topics and the reading list for each lecture of the academic calendar will be made available for students, so that they will be able to consciously attend classes and prepare themselves in advance for the critical discussions that will be held in class over the subject of each lecture. The course may also include meetings in class with subject-matter experts belonging to the Italian or the foreigner business context (e.g. administrators, investors, managers, etc...). Furthermore, during the course, students will be invited to form working groups according to a competitive business game logic, in order to offer professional experiences in line with the main business practices in the financial and business industry. The business game will consist in the assessment of an enterprise (defined by the lecturer) and the virtual participation to a competitive auction for the acquisition of shares of the company itself.

***ASSESSMENT METHOD AND CRITERIA***

The final assessment will consist in a written exam based on 30 closed-ended questions; for each correct answer, students will get 1 point; in case of wrong/no answer, students will not be penalised nor get any point.

The highest mark for the written exam is 30/30 and the duration is 60 minutes. The mark 30 *cum laude* (with honours) can be assigned with a supplementary oral exam, that can be requested also by students with lower grades. It will consist in two questions that can award them with up to 2 points out of 30.

The final exam aims to assess the students’ reasoning skills and analytical rigour on the topics analysed during the course.

For the students joining the working groups, the final assessment will be mainly focused on the quality of the work presented as a team. In particular, the business game will be assessed in thirtieths on the basis of three pillars: the quality of the output of the analysis, the quality of the presentation of the work, and the results of the competitive auction. Every pillar will have the same importance, so the final mark will result from the arithmetical average between them.

***NOTES AND PREREQUISITES***

Students should have a background in the field of accounting, financial statements, balance sheet analysis, capital budgeting, corporate financing, and investment risks. However, the course will include a first lesson introducing essential basic concepts, and the lecturer will be available to recommend specific study material to students in order to help them acquire an adequate understanding of the topics explained in class, and therefore be able to reach the intended learning outcomes.

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