**Capital Budgeting**

Prof. Francesca Pampurini

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

The course aims to provide the basic elements for understanding the main corporate finance decisions, with reference to business investment decisions. The course combines the robustness of the theoretical framework and the basic technical elements relating to corporate finance instruments (in particular: debt and equity financial instruments) with the operational reality of the company and the concrete ways of operating a company's financial functions.

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

* recognise and understand the most important financial issues facing a company, providing a dual perspective to understanding both the borrower and the lender;
* formulate an analysis of convenience for the most important financial choices, with particular regard to investment projects and capital budgeting;
* use methods and models for estimating company value.

***COURSE CONTENT***

* The value of money over time. Overview.
* Interest rates and capitalisation schemes. Overview.
* Net present value (NPV) and alternative criteria to NPV.
* The capital budgeting process.
* Evaluation of bonds. Overview.
* Company valuation and opportunity cost of capital.
* Risk and return relationship and CAPM.

***READING LIST***

Compulsory text:

R. Brealy-S. Myers-F. Allen-S. Sandri, *Principi di finanza aziendale 1*, latest edition, McGraw-Hill.

The parts of the reading list that will be covered in the exam will be indicated on the Blackboard platform and on the lecturer's webpage. The teaching material used by the lecturer in the lectures will be made available on the Blackboard platform.

***TEACHING METHOD***

The course includes lectures and guided practical activities focused on both theoretical and technical aspects of the discipline.

***ASSESSMENT METHOD AND CRITERIA***

A written exam consisting of practical exercises and an open-ended question. The exam will be marked out of thirty and will take into account accuracy and quality of students' answers, appropriateness of their language, and their ability to adequately justify statements, analyses and judgments.

***NOTES AND PREREQUISITES***

Students must possess a basic mathematical/financial knowledge of interest rates and capitalisation schemes. A basic knowledge of the main concepts of descriptive statistics is also required. Attendance, although not compulsory, is strongly recommended.

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