**Corporate Finance**

Proff. Simone Rossi – Andrea Lippi

**Capital Budgeting**

Prof. Simone Rossi

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

The course aims to provide the fundamental elements for students to understand the main corporate finance decisions, including corporate investment strategies. The course combines the robustness of the theoretical framework and the basic technical elements of corporate financing instruments (specifically debt and equity) with corporate operations and corporate financial functions.

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

* recognise and understand the most important financial issues that companies have to face;
* carry out analyses of the most significant financial decisions, with a focus on investment projects and capital budgeting processes;
* use financial valuation methods and models.

***COURSE CONTENT***

* Time Value of Money. Overview.
* Interest rates and capitalisation. Overview.
* Net Present Value (NPV) and criteria used as alternatives to NPV.
* The capital budgeting process
* Bond valuations. Overview
* Company valuation and opportunity cost of capital
* Relationship between risk and return and CAPM.

***READING LIST***

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

***TEACHING METHOD***

The course will include frontal lessons and guided exercises focusing on both theoretical and technical aspects of the discipline.

***ASSESSMENT METHOD AND CRITERIA***

A written exam usually comprising 4 open-ended questions (with variable marks between 5 and 8 points, depending on the complexity of knowledge/skills assessed, including numeric exercises) and multiple-choice and/or true/false questions (each one worth 1 point if correct and 0 points if skipped/wrong).

The assessment of the open-ended questions will be based on the clarity and effectiveness of the student's presentation, the adherence of their answers to the question contents, their use of correct technical terminology, and the completeness of their arguments. Students require a mark of at least 18/30 to pass the exam.

For further clarification, please refer to the indications on Blackboard.

***NOTES AND PREREQUISITES***

During lectures, the lecturer will indicate the parts of the reading list that will be covered in the exam. Support and updating material will be available on Blackboard.

Attendance at the course, although not mandatory, is strongly recommended.

There are no specific course prerequisites; however, prior basic mathematical/financial knowledge regarding interest rates and capitalisation and basic knowledge of the main descriptive statistics concepts will prove useful.

Information on office hours available on the teacher's personal page at [http://docenti.unicatt.it/](about:blank).

**Financing Decisions**

Prof. Andrea Lippi

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

The aim of the course is to provide students the fundamental elements for the technical and applied knowledge and understanding of financing decisions made by companies.

At the end of the course, students will have acquired:

- knowledge of the various sources of corporate financing;

- knowledge and understanding of the role of third-party capital for company management;

- knowledge and understanding of the importance of the balance between equity capital and debt capital, also from a fiscal perspective;

- the ability to understand and assess the best options regarding profit distribution to shareholders;

- understanding of the impacts of the adopted corporate capital on stakeholders.

***COURSE CONTENT***

The programme of the course covers:

* Conflict of interest and principal-agent problem.
* Corporate capital structure.
* Dividend policy.
* Financing decisions regarding equity capital.
* Financing decisions regarding debt capital.

***READING LIST***

Compulsory texts:

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

***TEACHING METHOD***

In the course active teaching methods are used based on frontal lectures in the classroom and on guided exercises aimed at more appropriate and specific learning and appreciation of covered topics.

***ASSESSMENT METHOD AND CRITERIA***

The exam consists in a written test, divided in open questions which are marked differently, depending on the compexity of the assessed knowledge/skills.

The assessment criteria for the open questions will include presentation clarity and efficacy; pertinent answers, proficiency in the use of the technical lexicon, comprehensive arguments.

The pass mark is 18/30.

***NOTES AND PREREQUISITES***

Students are strongly advised to attend, even though it is not compulsory.

There are no specific prerequisites in order for students to attend the course; nevertheless, it will be useful for students to have prior knowledge of the rules for drawing up a balance sheet, of financial mathematics and of corporate models.

During lessons the lecturer will point out the parts of the reading list that students must study in order to prepare for the exam.

Information on office hours available on the teacher's personal page at [http://docenti.unicatt.it/](about:blank).