**Corporate Finance**

## Prof. Stefano Bozzi

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

The aim of the course is to provide students with the basic elements for understanding the main decisions of Corporate Finance. The course covers the above topics in an introductory fashion, as they are intended to be studied in more depth as part of a Master's Degree. At the end of the course, students will:

1. have acquired a knowledge and understanding of the basic concepts of the subject, useful for interpreting the principal corporate financial decisions.

2. have learnt how to apply this knowledge, in a simplified context, to the making of business investment decisions.

3. have acquired the ability to collect and interpret data deemed useful as a basis for investment decisions, and to make independent judgments in this area.

4. have acquired a technical language that allows them to communicate their acquired knowledge clearly and effectively.

5. have developed the learning skills necessary to carry out further in-depth studies as part of a Master's degree course with a high degree of autonomy.

***COURSE CONTENT***

The course syllabus is structured as follows:

1. *The determinants of financial asset prices*. The principle of present value. Valuation of bonds and shares.

2. *The use of NPV for the analysis of business decisions*. Definition of the NPV concept. How to identify relevant flows.

3. *Business structure and financial dynamics*. The condensed balance sheet. Financial flows as elements that cause the financial structure of a company to change. The notion of operating NCC; operating NCC flows.

4. *The determinants of a company's value*. The valuation of a non-indebted company. Risk, required return and valuation of company capital. The concept of information efficiency in financial markets.

5. *The effects of the debt/equity choice on a company's economy and its valuation*. The Modigliani-Miller theorems and their implications for company valuation.

6. *The consistency between flows and rates in valuation processes*. The rate of return used in calculating the NPV (the notion of WACC). Interdependence between financing decisions and the value of investment decisions (VAM, WACC and FTE methodologies).

***READING LIST***

S. Ross-D. Hillier-R. Westerfield-J. Jaffe-B. Jordan, *Corporate Finance,* 3rd ed., McGraw Hill Italy, 2018.

*Lecture notes on Corporate Finance,* EDUCatt, Milan, latest edition available.

***TEACHING METHOD***

Frontal lectures (60 hours, divided into 6 hours x 10 weeks). The lectures include theoretical presentations and tutorials aimed at demonstrating practical applications.

***ASSESSMENT METHOD AND CRITERIA***

A written exam during the official exam session, comprising exercises that require the execution of calculations, and "theoretical" - mostly open-ended - questions; the "theoretical" questions may also require the execution of simple calculations. The exercises and questions will carry the same general weight in the overall exam assessment.

Interim tests are not foreseen.

The assessment criteria on which marks are based are: knowledge of course content; ability to apply and critically elaborate what has been learned; ability to link the theoretical contents presented to practical applications; and ability to formulate and communicate independent judgments.

In assessing the individual tests and attributing the mark, reference will be made to a learning assessment scale. To pass, students must demonstrate sufficient, but general, knowledge of course contents, a simple presentation style, and confidence in applying the theoretical concepts and specific techniques and methodologies of corporate finance. To reach the top mark (and a distinction), students must demonstrate very extensive, complete and in-depth knowledge of course contents, a consolidated ability to apply contents, an excellent ability to apply the techniques and methods of corporate finance, and an ability to make interdisciplinary connections using masterful presentation skills.

The examination commission, at its discretion, may request a supplementary oral exam on the whole course syllabus if there are doubts regarding the contents of the written exam that may compromise the assessment. This possibility is communicated to students in conjunction with the presentation of the written exam results. Any student who refuses to take the oral exam relinquishes the mark they obtained in the written exam. The supplementary oral exam will take place without delay on the date set by the Commission.

***NOTES AND PREREQUISITES***

Regular attendance at lectures, accompanied by gradual study (and the execution of the exercises indicated in class) makes both learning for and passing the exam much easier. Students are strongly advised to take this fact into account when planning their study activities.

The Blackboard platform will be used to distribute teaching material, to communicate exam results, and to publish all notices related to the course.

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