



UNIVERSITÀ
CATTOLICA
del Sacro Cuore

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 Corporate Finance decisions (i.e., discounted cash flows, capital budgeting, and financial structure). The course introduces subjects that will be studied in more depth during Master Courses. Interdisciplinary links represent a core characteristic of this course.

At the end of the 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 to the firm's investment and financial decisions and make sound judgments;
4. Will have acquired an appropriate language that will enable them to communicate their knowledge properly;
5. Will have the learning skills to enable 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 analyzing 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 cash flow statement and its construction based on accounting data.
4. *Valuation.* Valuation of unlevered companies. Risk, expected returns and valuation. CAPM and the Efficient Market Hypothesis.
5. *Financial Structure decisions and their impact on valuation.* The Modigliani-Miller theory and its implications for valuation.
6. *The consistency of cash-flows and discount rates in valuation.* The interdependence between financing and investment decisions (Modified NPV, modified WACC, and Cash Flow to Equity methods).

Reading list

D. HILLIER-S. ROSS-R. WESTERFIELD-J. JAFFE-B. JORDAN, Corporate finance, Mc Graw Hill, 2016 (3rd European edition).

Additional readings will be provided during the course. Teaching notes are available on Blackboard.



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Teaching method

The lessons include both theory and practical exercises.

Assessment method and criteria

Exams are written only; they will be scheduled during the official exam session and concern the whole syllabus and course program. No midterm exam is planned for this course. Exams include exercises that require calculations and open questions that need a written qualitative and/or quantitative explanation. Further information will be provided in class and posted on Blackboard.

Notes and prerequisites

Notes

Regular class attendance, together with effective study combined with homework exercise and problem solutions, is strongly recommended and will make it easier for students to learn the topic and pass the exam. Students are strongly advised to take account of this in the planning of their studies.

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 year 1 and 2, in particular, but not limited to, Financial Accounting, Financial Mathematics, and Statistics.