

CORPORATE FINANCE

Course code	<i>FIN117</i>
Compulsory in the programmes	<i>Finance</i>
Level of studies	<i>Undergraduate</i>
Number of credits	<i>6 ECTS (48 in-class hours + 6 consultation hours + 2 exam hours, 104 individual work hours)</i>
Course coordinator (title and name)	<i>Asta Klimavičienė, PhD</i>
Prerequisites	<i>Principles of Financial Management</i>
Language of instruction	<i>English</i>

THE AIM OF THE COURSE:

The main aim of this course is to provide theoretical knowledge about models and methods of corporate financial management and practical skills to apply this knowledge to real situations by analysing and evaluating strategic financial corporate decisions. This is a follow-up financial management course, which covers both theoretical and practical decisions of corporate financing, determination of cost of capital, investment project and corporate valuation. This course examines the main financial decisions related to valuation of securities (stocks, bonds, options) and investment projects with respect to their risk. The course focuses on the impact of financial markets on company's value and its financing decisions.

MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	Degree level learning objectives, BMM	Assessment methods	Teaching methods
SLO1. Calculate weighted average cost of capital (WACC) of a corporation, to take taxes into account.	BLO1.1	Midterm test, coursework	Lectures, seminars, individual study
SLO2. Compare different WACC calculation methods.	BLO1.1	Midterm test	Lectures, seminars, solving exercises, self-study
SLO3. Calculate and interpret cost of debt, cost of equity, beta, cost of capital of an investment project.	BLO1.1, BLO1.2	Midterm test, coursework	Lectures, seminars, solving exercises, self-study
SLO4. Describe and compare net income payout methods, dividend policy, share repurchases.	BLO1.1	Final exam	Lectures, seminars, self-study
SLO5. Explain the application of option theory to investment project valuation.	BLO1.1	Final exam	Lectures, seminars, solving exercises, individual study
SLO6. Overview the process of corporate M&As.	BLO1.1	Midterm test	Lectures, seminars, self-study
SLO7. Apply and compare main corporate valuation methods (discounted cash flows, real options, relative valuation).	BLO1.2, BLO4.3	Coursework, final exam	Lectures, seminars, self-study

ACADEMIC HONESTY AND INTEGRITY

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

COURSE OUTLINE

Topic	In-class hours	Readings
Introduction to corporate finance. Corporate governance	4	Ch. 1, 2
Capital structure in perfect markets	4	Ch. 15
Capital structure in imperfect markets	4	Ch. 16
Equity and debt financing	4	Ch. 19, 20
Mergers and Acquisitions	4	Ch. 28
MID-TERM	2	
Corporate valuation	12	Handouts
Advanced capital budgeting	4	Ch. 17
Real options	6	Ch. 23, handouts
Payout policy	4	Ch. 18
	Total: 48 hours	
CONSULTATIONS	6	
FINAL EXAM	2	

FINAL GRADE COMPOSITION

Type of assignment	%
Group Components 30%	

Coursework	30%
<i>Individual Components 70%</i>	
Midterm test	35%
Final examination	35%
Total:	100%

DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

(Provide short descriptions and grading criteria of each assignment)

Coursework

Students work in small groups to prepare a valuation of a corporation. Details on the coursework will be provided separately. Coursework must comply with ISM requirements. Coursework counts towards 30% of the final grade.

Midterm test

It will be held after the first half of classes. It counts towards 35% of the final grade. The midterm test will be based on topics 1-5. Calculators may be used, provided they cannot store text.

Final exam

The exam counts towards 35% of the final grade. It will be based on topics 7-12. Calculators may be used, provided they cannot store text.

RETAKE POLICY

In case of a negative final grade, students are allowed a re-sit exam. It will cover all course material. The weight of a re-sit is 70%. Coursework cannot be rewritten but its evaluation (if positive) is not annulled.

REQUIRED READINGS

Hillier D., Ross S., Westerfield R., Jaffe J., Jordan B., 2013. *Corporate Finance: Second European Edition*. McGraw-Hill Higher Education.

ADDITIONAL READINGS

Berk, J., DeMarzo, P., 2011. *Corporate Finance*, 2nd international ed. Boston: Pearson Addison Wesley.
Handouts (electronic versions uploaded to the course e-learning space)

DEGREE LEVEL LEARNING OBJECTIVES

Learning objectives for the Bachelor of Business Management

Programmes:

International Business and Communication,

Business Management and Marketing, Finance,

Industrial Technology Management

Learning Goals	Learning Objectives
Students will be critical thinkers	BLO1.1. Students will be able to understand core concepts and methods in the business disciplines
	BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions
Students will be socially responsible in their related discipline	BLO2.1. Students will be knowledgeable about ethics and social responsibility
Students will be technology agile	BLO3.1. Students will demonstrate proficiency in common business software packages
	BLO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations
	BLO4.2. Students will be able to convey their ideas effectively through an oral presentation
	BLO4.3. Students will be able to convey their ideas effectively in a written paper

Learning objectives for the Bachelor of Social Science

Programmes:

Economics and Data Analytics,

Economics and Politics

Learning Goals	Learning Objectives
Students will be critical thinkers	ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines
	ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements
Students will have skills to employ economic thought for the common good	ELO2.1. Students will have a keen sense of ethical criteria for practical problem-solving
Students will be technology agile	ELO3.1. Students will demonstrate proficiency in common business software packages
	ELO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	ELO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations
	ELO4.2. Students will be able to convey their ideas effectively through an oral presentation
	ELO4.3. Students will be able to convey their ideas effectively in a written paper