

CORPORATE FINANCE

Course code	<i>FIN117</i>
Course title	<i>Corporate Finance</i>
Type of course	<i>Main</i>
Semester	<i>6th semester</i>
ECTS credits	<i>6: 48 hours of lectures and seminars, 112 hours of individual work, 4 hours of consultations</i>
Course lecturers	<i>Dr. Asta Klimavičienė, Inga Miliauskienė</i>
Course prerequisites	<i>Principles of Financial Management</i>
Language of instruction	<i>English</i>

Annotation

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.

Aims 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.

Subject learning outcomes (SLO)

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

Study methods

Lectures, seminars, solving exercises, case studies, self-study.

Quality issues

The lecturer assures a variety of teaching and testing methods. The feedback for assessments is provided.

Cheating issues

The teaching and testing methods are chosen taking into account the purpose of the minimization of cheating opportunities. The ISM regulations on academic ethics are fully applied in the course.



Topics:

	TOPIC	IN-CLASS HOURS	READINGS
1	Introduction to corporate finance. Corporate governance	4	Ch. 1, 2
2	Capital structure in perfect markets	4	Ch. 15
3	Capital structure in imperfect markets	4	Ch. 16
4	Equity and debt financing	4	Ch. 19, 20
5	Mergers and Acquisitions	4	Ch. 28
6	MID-TERM	2	
7	Corporate valuation	4	Handouts
8	Corporate valuation: DCF method	4	Handouts
9	Corporate valuation in practice	4	Handouts
10	Advanced capital budgeting	4	Ch. 17
11	Real options	6	Ch. 23, handouts
12	Payout policy	4	Ch. 18
	FINAL EXAM		
	Total:	48	

Individual work and assessment:

TYPE	TOTAL HOURS	EVALUATION, %
Midterm test	30	35
Coursework	32	30
Final exam	40	35
Total:	112	100

Course requirements:

1. Midterm test

It will be held after the first 5 weeks 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.

2. 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.

3. 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.

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%. Courseworks cannot be resubmitted but their evaluations (if positive) are not annulled.

Main 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)