

## ADVANCED CORPORATE FINANCE

<b>Course code</b>	<i>GRAV012</i>
<b>Course title</b>	<i>Advanced Corporate Finance</i>
<b>Type of course</b>	<i>Compulsory</i>
<b>Level of course</b>	<i>Advanced</i>
<b>Department in charge</b>	<i>Graduate school</i>
<b>Year of study</b>	<i>1st</i>
<b>Semester</b>	<i>2<sup>nd</sup></i>
<b>Number of credits</b>	<i>6 ECTS; 36 hours of class work, 124 hours of self-study, 2 hours of consultations (distant or direct form)</i>
<b>Lecturer</b>	<i>Prof.dr. Valdone Darskuviene, valdar@ism.lt</i>
<b>Prerequisites</b>	<i>None</i>
<b>Form of studies</b>	<i>Undergraduate studies in social science</i>
<b>Teaching language</b>	<i>Consecutive (evening) English</i>

### Course Aims and Objectives

This course introduces advanced applications in financial management that are geared to maximize firm value. Topics include valuation, investment techniques, estimation of cash flow, and various aspects of risk management. This course will go into details into some of the major corporate finance issues: financing and optimal capital structure, investments, considerations on becoming a publicly-traded company, company valuation methods most commonly used

### Learning Outcomes

Overall, the main outcomes for the students should include the following :

- Improve your English language skills particularly as they relate to corporate finance
- Strengthen your awareness of some of the major corporate finance issues
- Improve your skills for short, finance-related group presentations

<b>Course learning outcomes (CLO)</b>	<b>Study methods</b>	<b>Assessment methods</b>
CLO1. Interpret various financial statements.	Lectures, seminars, self-study, group work	Participation, exercises, final exam, Q&A
CLO2. Improve financial analysis skills on financial statements.	Lectures, seminars, self-study, group work	Participation, exercises, final exam, Q&A
CLO3. Evaluate companies using market multiples of comparable traded companies.	Lectures, seminars, self-study, group work	Participation, exercises, Q&A
CLO4. Practice the concept and calculation of cost of capital.	Lectures, seminars, self-study, group work	Participation, exercises, Q&A
CLO5. Evaluate companies using discounted cash flows.	Lectures, seminars, self-study, group work	Participation, exercises, final exam
CLO6. Analyze major corporate finance dilemmas and acquire some tools to help on decisions.	Lectures, seminars, self-study, group work	Participation, exercises, final exam
CLO7. Assess and compare the attractiveness of corporate investment opportunities.	Lectures, seminars, self-study, group work	Participation, exercises, final exam

**Course Content (18 1.5 hour classes):**

CLASS	TOPIC AND READINGS
Classes 1-3	<b>Theme 1 : Review of major corporate finance issues</b> <ul style="list-style-type: none"> <li>• Key statements and information : financial statements and market valuation</li> <li>• Major corporate financial issues : development, profitability, investments, leverage, investor relationships, company valuation</li> <li>• Exercises on how some financial transactions may affect statements</li> </ul>
Classes 4-5	<b>Theme 2 : Analysis of financial statements</b> <ul style="list-style-type: none"> <li>• Analysis of revenues and profitability (income statement)</li> <li>• Analysis of financial strength (balance sheet)</li> <li>• Combined analysis of both statements</li> <li>• Analysis of market valuation levels</li> <li>• Application of financial analysis on case study</li> </ul>
Class 6-7	<b>Theme 3 : Company valuation based on comparable traded companies</b> <ul style="list-style-type: none"> <li>• Discussion on comparable companies</li> <li>• The major market valuation multiples</li> <li>• Application of comparable market multiples to derive a valuation range</li> <li>• Examples and exercises</li> </ul>
Class 8	<b>Theme 4 : Cost of capital</b> <ul style="list-style-type: none"> <li>• Cost of debt</li> <li>• Cost of equity</li> <li>• Respective weights in capital structure</li> <li>• Weighted average cost of capital</li> </ul>
Class 9-10	<b>Theme 5 : Company valuation based on Discounted Cash Flows</b> <ul style="list-style-type: none"> <li>• Free cash flows</li> <li>• Cash Flow Projections</li> <li>• Terminal value</li> <li>• Discount rate and weighted average cost of capital</li> <li>• Exercises</li> </ul>
Class 11-13	<b>Theme 6 : Some key corporate finance decisions :</b> <ul style="list-style-type: none"> <li>• Optimal leverage ratio</li> <li>• Considerations on becoming a public company (short assignment on case study)</li> <li>• Corporate bonds : issuance, merits and valuation</li> <li>• Convertible bonds : structures, valuation and merits</li> <li>• Dividend policy</li> <li>• Series of short exercises</li> </ul>
Class 14-16	<b>Theme 7 : Corporate investment decisions:</b> <ul style="list-style-type: none"> <li>• Cash-flow forecasts</li> <li>• Investment selection criteria : Present value, Internal rate of return, required rate of return, payback period, profitability index</li> </ul>
Class 17-18	<b>Final exam</b>

**Assessment methods:**

Task type	Hours	% of final grade
Mid-term exam : Case study and/or press articles to be commented.	30	30
Group presentation (2 or 3 students per group) on 2 separate things <ul style="list-style-type: none"> <li>• a recent press article in English (from FT, WSJ, Business Week, ...) related to corporate finance, (ca. 7mn). You will be measured along the following criterias : presentation of the context of the article, presentation of the contents of the article, further explanation of the issues raised : (products, background, different views, ...), conclusion putting the article in a wider perspective</li> <li>• a major benchmark corporate finance transaction (over say past 5 years) or a comparative analysis of 2 or 3 listed companies in a given industry sector : presentation of the activities of these companies, review/comparison of business model, of financial statements (operating performance, of leverage, comparison (and comments) of market valuation with at least 2 valuation</li> </ul>	34	30



multiples : Price-to-book and PE ratio		
Final Exam	60	40
<b>TOTAL</b>	<b>124</b>	<b>100</b>

**Re-take exam:**

Students who receive a failing final grade shall have the right to re-take the exam, which will comprise 40% of the final grade and will include all semester material. Home assignments, as well as participation assessment, cannot be retaken at a later time but these grades will be calculated into the final grade.

**Teaching methods:**

Classes will include interactive lectures, short exercises, review of reference articles, and student groups' presentations on topics related to the course. In particular, students will be asked to review class materials, prepare short group presentations, prepare for the short in-class assignment and for the final exam .

**Readings:**

Students will be asked first and foremost to read and review the powerpoint course materials prepared by the professor and made available on the school's intranet. At the end of each class, the professor will clearly indicate the sections to be read for the following class. In addition, students are invited to refer to the following recommended textbook of reference:

- (Brealey, Richard A.: Corporate finance /Brealey Richard A., Myers Stewart C., Allen Franklin. Boston : McGraw-Hill Irwin, 2006) or any other introductory finance text.

**Quality Assurance Measures:**

The lecturer will apply multiple teaching methods to keep the students engaged in the topic. Continuous student feedback will be encouraged and accommodated to continuously improve class experience.

**Cheating Prevention:**

Course will apply zero tolerance policy towards plagiarism, following the rules of the University.