

CET Syllabus of Record



Program: CET Florence

Course Title: Corporate Finance

Course Code: FL/FINA 320

Total Hours: 45

Recommended Credits: 3

Primary Discipline / Suggested Cross Listings: Finance / Business

Language of Instruction: English

Prerequisites/Requirements: Previous course work in Finance, Accounting or Statistics

Description

This is an introductory course in business finance (corporate financial management and investments). The primary objective is to provide the framework, concepts, and tools for analyzing financial decisions based on fundamental principles of modern financial theory with a rigorous and analytical approach. Topics covered include discounted cash flow techniques; corporate capital budgeting and valuation; investment decisions under uncertainty; capital asset pricing; options; and market efficiency. The course will also analyze corporate financial policy, including capital structure, cost of capital, dividend policy, and related issues.

Due to its structure, this course requires some familiarity with accounting, mathematical, and statistical tools.

Objectives

The course has four main objectives:

- 1) Develop an understanding of the tools that are used to value investment projects and companies.
- 2) Understand the basic issues involved in how firms should raise funds for their investments (financing).
- 3) Evaluate how investment and financing decisions are related.
- 4) Analyze dividend policies

Course Requirements

In this course, lectures are combined with individual and group work, guest lectures and video screenings.

Students are expected to actively participate in class meetings and to complete all the readings assigned for each class. In addition to chapters from the textbook and supplemental case studies, students are expected to keep abreast of contemporary developments in global business by reading the Business Week, Wall Street Journal, the New York Times, The Economist, and other similar journals. Students are also expected to demonstrate critical thinking skills through effective analysis, synthesis, and evaluation.

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Methods of Evaluation

- 10% Participation
- 30% Assignments (15% +15%)
- 20% Mid-term exam
- 30% Final Exam

Primary Texts

Aswath Damodaran, "Applied Corporate Finance: A User's Manual", 4th Edition, Wiley, 2014.

Supplementary Texts

Course reader. Excerpts from:

Myers & Allen, "Principles of Corporate Finance", 9th edition, Brealey, The McGraw-Hill Companies, Inc., 2007.

Brigham & Ehrhardt, "Financial Management: Theory and Practice", 10th edition, Cengage Learning, 2002.

Horne & Wachowicz, Fundamentals of Financial Management, 12th edition, Pearson Education, Inc., 2005.

Outline of Course Content

Note: Fall/Spring students cover approximately 1 topic every 2 weeks. During the summer, when class periods are longer, students cover approximately 1 topic per week.

TOPIC 1: Introduction to Finance. The objective of finance.

TOPIC 2: The time value of money. The basics of risks.

TOPIC 3: Investment Analysis - Estimating Hurdle Rates for Firms; Estimating Hurdle Rates for Projects; Estimating Earnings and Cash Flow for Projects; Investment Decision Rules

TOPIC 4: Financing Decisions - Overview of Financing Choices; Objectives of corporate financial managers

TOPIC 5: The Financing Process

TOPIC 6: The role of financial markets

TOPIC 7: Financing Mix: Trade-offs and Theory

TOPIC 8: The Dividend Decisions - Dividend Policies; Analyzing Cash Returns to Stockholders

TOPIC 9: Beyond Cash Dividend: Buy-backs, Spin-off, and Disinvestures

TOPIC 10: Valuation - Principle and Practice; Acquisitions and Takeovers