

Course Outline

Corporate Finance - EC5310

Course Leader: Philip Neary

Autumn Term – 20 credits

Version 1.0

AIMS

The aims of this post-graduate level course in corporate finance theory and policy are to introduce students to the techniques used in financial decision making in the modern corporation. It describes how the corporation in the business environment appraises investment opportunities, raises finance to fund such projects and increases shareholder wealth via sound management and planning. The concepts developed in this course form the foundation of most elective finance courses.

LEARNING OUTCOMES

By the end of this course, students should:

- demonstrate familiarity with the concept of time value of money;
- be able to apply discounting methods in valuation of financial assets;
- master the different capital budgeting techniques;
- be able to undertake corporate financial decisions;
- be able to critically evaluate decisions involving mergers and acquisition;
- be able to assess the financial health of a corporation;
- demonstrate confidence in writing reports based on case studies

COURSE DELIVERY

This course is delivered by one 2-hour lecture and one 1-hour seminar class over 10 weeks.

ASSESSMENT

Formative assessment:

- Weekly problem sets and classes provide feedback. Weekly problem sets will be collected and will receive grades and feedback although will not have formal weight.

Summative assessment:

- One 1-hour unseen written exam taken in class during the Autumn Term which contributes 25% of the final mark.
- One 2-hour unseen written exam taken during the Summer Term which contributes 75% of the final mark.

Dates of tests and coursework hand-in deadlines can be found in the Departmental Student Handbook and on the Economics Department website.

READING

The main textbooks for the course is:

. Hillier, Ross, Westerfeld, Jaffe, and Jordan, *Corporate Finance*, 2nd European Edition Ed, McGraw-Hill Irwin, 2014.

Another potentially useful book is:

. Brealey, Myers, and Allen, *Principles of Corporate Finance*, 10th Ed, Prentice Hall, 2011

WEEKLY TIMETABLE

Topics covered are the time value of money and the net present value rule, valuation of financial assets, capital budgeting decisions, uncertainty and the trade-off between risk and return and corporate financing decisions. The second half of the course will cover more advanced topics such as financing decisions of the firm under asymmetric information, corporate governance and mergers and acquisitions as well as financial statement analysis and financial distress.

Outline of contents:

- Time Value of Money
- Discounting Methods and NPV
- Capital Budgeting
- Valuation of Financial Securities

- Risk and Return
- Real Options Analysis: Capital Budgeting under Uncertainty
- Capital Structure
- Information Asymmetry and Agency Theory
- Dividend Policy
- Financial Planning and Management
- Long Term Debt
- Corporate Governance
- Mergers and Acquisitions
- Financial Statement Analysis
- Financial Distress.