Corporate Finance

Academic Year: (2017 / 2018) **Review date: 12-01-2017**

Department assigned to the subject:

Coordinating teacher: TRIBO GINE, JOSE ANTONIO

Type: Compulsory ECTS Credits : 3.0

Year : 1 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Financial Economics
Financial Statement Analysis

OBJECTIVES

Students will develop the basic skills to value companies, focusing on the main concepts and methodologies: weighted average cost of capital, capital structure, comparables methodology and DCF methodology.
Additionally they will get familiar with the basic concepts impacting valuations and transaction structuring from a corporate finance viewpoint: synergies, control premium, hybrid securities, etc.

DESCRIPTION OF CONTENTS: PROGRAMME

1) Main concepts in Finance

2)The cost of capital and capital structure
-2.1. The cost of capital and WACC
-2.2. Modigliani and Miller propositions
-2.3. The Trade-off theory
-2.4. The Pecking Order theory
-2.5. Main empirical studies

3)Introduction to valuation

4)Comparables methodology

5)DCF methodology

6)Valuation in a M&A context

7)Financial instruments most widely used in Corporate Finance

LEARNING ACTIVITIES AND METHODOLOGY

1) Slides and class discussions: theory and main concepts
2) Practical cases contained in the slides will be used as examples to facilitate learning
3) The two case studies which account for 50% of the final grade will be worked out in class the week after the delivery date to consolidate the key take-aways
4) As regards the two case studies, students will work in teams

ASSESSMENT SYSTEM

The final grade will be based on course work (50%) and a final exam (50%). A minimum grade of 4 out of 10 is required at the final exam to pass the course.
- Homework:
  *First case study: comparable valuation of a Spanish construction company (20%)
  *Second case study: DCF valuation of an e-commerce company (30%)
- Final exam: Theory and short exercises.

% end-of-term-examination:	50
% of continuous assessment (assigments, laboratory, practicals…):	50

BASIC BIBLIOGRAPHY

- DAMODARAN, A. Investment Valuation (http://pages.stern.nyu.edu/~adamodar/)), Wiley, 2006

- GRINBLATT, M., & TITMAN, S. Financial Markets and Corporate Strategy, Irwin/McGraw Hill, Boston., 1998

ADDITIONAL BIBLIOGRAPHY

- Harris, M. and Raviv, A. The theory of capital structure, The Journal of Finance, 1991

- John R. Graham, Campbell R. Harvey The theory and practice of corporate finance: Evidence from the field, Journal of Financial Economics, 2001