

Advanced Corporate Finance

Code: MK5HVLPM04MX17-EN

ECTS Credit Points: 4

Evaluation: exam

Year, Semester: 1st year, 1st semester

Number of teaching hours/week (lecture + practice): 1+3

Topics:

Cash flow analysis. Future value of money and present value of money. The relationship between future value and present value. Economic evaluation of investments with identical (different life-times). Investment decision making processes. The value of bonds Project Analysis. Capital investment process; Sensitivity analysis, Option algebra. Investments and economic rents. The relationship between risk and return. Examination of portfolio risk. Valuation of stocks, Performance measurement and financial decisions, Economic and market value added.

Literature:

Compulsory:

- Brealey, R. A. - Myers, S. C. – Allen, F (2011): Principles of Corporate Finances. McGraw-Hill/Irwin. ISBN: 0077356381, 9780077356385
- Ogden, J. – Jen, F. C. – O'Connor, P. F. (2002): Advanced corporate finance. Prentice Hall. ISBN-10 0130915688

Recommended:

- Scott Besley - Eugene F. Brigham (2011): Principles of Finance. Cengage Learning. ISBN: 1111527369, 9781111527365

Schedule

1st week Registration week

2nd week:

Lecture: Corporate finance investment and financing decisions. The financial goal of the corporation. Future value calculation I.

Practice: Preparatory overview of financial calculation I. Calculation Problems – Cash flow analysis. Future value and present value. Continuous compounding.

4th week:

Lecture: The present value of an investment opportunity. Net Present Value. The opportunity cost of capital. Profitability index.

Practice: Calculation Problems – Net present value.

6th week:

Lecture: Making investment decisions II.

3rd week:

Lecture: Review of the future value and present value calculation.

Practice: Preparatory overview of financial calculation II. Calculation exercises: Ordinary annuity and annuity due. Review of the future value and present value calculation. Valuing Cash Flows in Several Periods.

5th week:

Lecture: Net present value and other investment criteria. Making investment decisions I. Investment in Physical Capital and Human Capital.

Practice: Calculation Problems/computer related problems – Internal rate of return, modified IRR, problem of limited resources.

7th week:

Lecture: Investment decisions – economic rent – purchasing decisions, annuities.

Practice: Calculation Problems – equivalent annual cost- choosing the discount rate, choosing among projects.

Complex investment problem - Sensitivity analysis. Interest rates, risk, inflation and present value.

Practice: Calculation Problems, Complex investment problem – computer related problems.

8th week: 1st drawing week

9th week:

Lecture: Valuation of bonds, Duration, volatility. Market value added - Economic value added.

Practice: Price and interest rate, time to maturity, yield to maturity, and yield to call. Calculation Problems (Stocks, financial indicators).

11th week:

Lecture: Portfolio analysis. Portfolio returns and risk. Diversifiable risk and market risk.

Practice: Portfolio analysis – Calculation problems.

13th week:

Lecture: Options II. – Option algebra

Practice: Option strategies – computer related problems (bull, bear call/put spread, call/put butterfly, Call/put straddle options).

10th week:

Lecture: The Value of Common Stocks, Project analysis I.

Practice: Risk and rates of return, cost of capital. Computer related problems.

12th week:

Lecture: Options I. (Call options, put options). Exercise price. Position and profit diagram.

Practice: Calculation Problems – computer related problems.

14th week:

Lecture: Integrated financial/ investment problems. International investment decisions.

Practice: Computer related problems.

15th week: 2nd drawing week

Requirements

A, for a signature:

Participation at practice classes is compulsory. Students must attend practice classes and may not miss more than three occasions during the semester. In case a student does so, the subject will not be signed and the student must repeat the course. Students can't take part in any practice class with another group. Attendance at practice classes will be recorded by the practice leader. Being late is equivalent with an absence. In case of further absences, a medical certification needs to be presented. Missed practice classes must be made up for at a later date, being discussed with the tutor.

During the semester there are two tests: the mid-term test on the 8th week and the end-term test on the 15th week. Students must sit for the tests.

B, for a grade:

The course ends in an examination.

The minimum requirement of the mid-term, the end-term test and the teamwork is 50% separately. Based on the score of the tests separately, the grade for the tests and the examination is given according to the following table:

The grade is given according to the following (score/grade): 0-49 % = fail (1); 50-62 % = pass (2); 63-75 % = satisfactory (3); 76-89 % = good (4); 90-100 % = excellent (5).

If the score of any test is below 50, the student once can take a retake test of the whole semester material.

An offered grade: It may be offered for the students if the average of the mid-term test, end-term tests and the teamwork is at least good (4). The offered grade is the average of them.