

## Financial Management

209.4450

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**Office Hours:** by appointment

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**Course Period:** May 16 – July 11.

**Number of credit points:** 2

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### Course Description / Overview

The main objective of this course is to introduce students to the essentials of corporate finance. The topics covered in the course mainly include:

- Financing: understanding basic concepts involved in how firms should raise funds for real investments.
- Valuation: Developing and understanding of the tools used to value real investment projects.
- Interaction between valuation and financing: assessing how financing decisions affect firm value.

### Corse Requirements:

Problem-sets: **20%**. The problem sets are intended to help each to understand the course material and prepare you for the exam. There will be 6-7 problem-sets to submit individually. Skipping one problem-set is allowed, though not encouraged. A weekly assignments will be posted at the course website and should be submitted by email to the TA. Late homework will not be accepted.

### Course Plan

#### **Week 1. Date 16/05/2017**

Introduction to corporate finance, Basic principles: Present value, future value, effective interest rates, Loan Types. (BMA-1, 2, 3.5)

#### **Week 2. Date 23/05/2017**

Net Present Value, Internal Return Ratio, Mutually exclusive Projects, Mutually exclusive Projects with different lives, Alternative investment rules. (BMA-5)

**Week 3. Date 06/06/2017**

Cash flow analysis: sunk costs and opportunity costs, incidental effects, cash flows versus profits, investments and depreciation, working capital. (BMA-6)

**Week 4. Date 13/06/2017**

How Corporations Issue Securities to the public? (BMA – 15)

**Week 5. Date 20/06/2017**

valuating bonds, Duration, Term Structure, Bond Rating, Junk Bonds. (BMA-23)

**Week 6. Date 04/07/2017**

Valuating stocks, Divided discount model, Net present value of growth opportunities. (BMA-4)

**Week 7. Date 04/07/2017**

Risk and Return, the Capital Asset pricing Model (BMA-8)

**Week 8. Date 11/07/2017**

Capital structure and the company cost of capital, implications to capital budgeting. (BMA-9.1, 9.2,)

**Grading Policy:**

Final Exam 80%

Assignments: 20%

**Expected Date of Exam:** July 14, 2017.

**List of Reading Material**

Brealey, R.A, S.C. Myers and A. Allen. (2011). Principles of Corporate Finance, 10<sup>th</sup> edition. McGraw Hill International (henceforth BMA).