

Financial Management

209.6216

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Office Hours: by appointment

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Course Period: Oct. 20 – Dec. 18

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.

Course 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 20/10/2020

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

Week 2. Date 23/10/2020

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

Week 3. Date 30/10/2020

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

Week 4. Date 06/11/2020
How Corporations Issue Securities to the public? (BMA – 15)

Week 5. Date 13/11/2020
valuating bonds, Duration, Term Structure, Bond Rating, Junk Bonds. (BMA-23)

Week 6. Date 20/11/2020
Valuating stocks, Divided discount model, Net present value of growth opportunities.
(BMA-4)

Week 7. Date 27/11/2020
Risk and Return, the Capital Asset pricing Model (BMA-8)

Week 8. Date 04/12/2020
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: Friday 18/12/2020 8:30 AM.

List of Reading Material

Brealey R., A., Myers S., C., and Allen, F. (2018). Principles of Corporate Finance. 12th Edition, McGraw Hill, International Edition. (BM)