

CORPORATE FINANCE

Module 2, 2017

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Course description

This course provides broad view of corporate finance. It delivers comprehensive theoretical knowledge and understanding of how to use it in practice.

The classes will be based on active interaction with students and everyone is appreciated to participate in the discussions and simulations. Moreover, the course consists of numerous tests and quizzes, which will also contribute to better understanding of main approaches, methods and concepts, connected with corporate finance.

The course involves a lot of team work – the students will be given the opportunity to assess the value of one of the Russian companies. During this group project the students will obtain real practice of company's valuation, learn how to work in teams and acquire presentations skills.

Course requirements, grading, and attendance policies

The course grade will be based on the group project (40%), and final exam (60%).

Course contents

Class	Topic	Reading
1	<p>Introduction: Role and basic knowledge of corporate finance</p> <p>Interest rates, time value of money, annuities</p> <p><u>Quiz</u></p> <p>Book Value vs. Market Value</p> <p>Sources of company's growth, types of funding, capital base</p> <p>IPO and SPO, Greenshoe option, M&A</p> <p><u>Cases:</u> IPO Facebook, THERANOS, M&A Facebook, Instagram, WhatsUp, SPO Magnit, M&A Sberbank/Denizbank</p> <p><u>Team Work:</u> Case Facebook</p> <p>Factors affecting company's value.</p> <p><u>Case:</u> Tesla</p>	<p>Before the lecture:</p> <p>[1] Part 1, Chapters: How to calculate value; Valuing bonds; The value of common stocks.</p> <p>For preparation:</p> <p>[1] Part 10, Chapters: Introduction to Corporate Finance; Mergers; Corporate restructuring. [3]-[10]</p>

Class	Topic	Reading
2-3	<p>Company's financial structure: Assets and Liabilities, Profit and Losses</p> <p>Industry Value Drivers: IT, Retail, Building Construction, Telecommunication and Air Transportation industries. Cash flows: Operating, Investing, Financing. Deviations between reported and actual cash flows. Main financial statements and factors influencing the investors' decisions. The interconnection between them. <u>Simulation:</u> Company's finance How investors make decisions? The main ratios used in statement analyses. Multiples. <u>Case:</u> Company's value. Hidden hazards of financial statements.</p> <p>Team work: Chosen company.</p>	<p>For preparation: [1] Part 9, Chapters: Financial analyses; Financial Planning; Working Capital Management [2] Chapters: 17-20 [11]</p>
4-5	<p>Cost of capital, cash flows, efficient decision-making (NPV, PV, FV)</p> <p>Cost of capital and efficient capital market. Basic and systematic risks. Relationship between risks and return. Expected return. Capital structure. Modigliani-Miller Theorem. Conditions of capital structure which affect company's value. The impact of taxes and corporate governance on capital structure. Information asymmetry and hierarchical theory of capital structure. Capital Asset Pricing Model and Weighted Average Cost of Capital. <u>Quiz</u> Types of investing projects. Efficiency ratios of projects: NPV, Payback period, IRR, Accounting rate of return, PI <u>Case:</u> Valuation of investment project</p>	<p>For preparation: [1] Part 1, Chapters: Net Present Value and Other Investment Criteria; Making Investment Decisions with the Net Present Value Rule [1] Part 2, Chapters: Introduction to Risk and Return; Portfolio Theory and CAPM, Risk and the Cost of Capital [12]</p>
6-7	<p>Basis of company's value assessment: approaches and methods: DCF, Comparative valuation, Cost method. <u>Simulation:</u> Corporate Finance</p> <p>Team projects: Defense</p>	<p>For preparation: [2] Chapters: 1-2 [13]</p>

Course materials

Required textbooks and materials

1. Brealey-Myers: Principles of Corporate Finance. Eleven Edition
2. Aswath Damodaran: Investment valuation. Second Edition

Additional materials

1. Berk, Jonathan, and Peter DeMarzo, 2014. Corporate Finance, Boston: Pearson Welsh, Ivo. 2014. Corporate Finance (в свободном доступе: <http://book.ivwelch.info/ed3/toc.html>)
2. Эви Боди, Роберт К. Мертон «Финансы» М.: Вильямс, 2013 (в свободном доступе: http://shfm.rane.ru/sites/default/files/books/bodi_merton_finansy_0.pdf)
3. Session 1: Aswath Damodaran «Corporate Finance: What is it?»
https://www.youtube.com/watch?v=Tdu0QPfoYZQ&feature=youtu.be&list=PLUkh9m2BorqnDenjSLZ2DHIxrdxoN4Bn_ <http://pages.stern.nyu.edu/~adamodar/>
4. For case preparation: <https://en.wikipedia.org/wiki/Facebook>;
<https://en.wikipedia.org/wiki/Instagram>; <https://en.wikipedia.org/wiki/WhatsApp>
5. Bloomberg's "Game Changers" goes from Harvard dorm rooms to NASDAQ trading floors to reveal the Facebook CEO's sheer and sometimes stubborn determination. (Source: Bloomberg); Mark Zuckerberg: Building the Facebook Empire
<https://www.youtube.com/watch?v=5WiDIhIkPoM>
6. <http://www.bloomberg.com/news/articles/2012-02-09/the-ultimate-guide-to-facebooks-ipo>
7. <http://facebook.about.com/od/Basics/a/Facebook-Ipo-Timeline.htm>
8. Tesla: A Story Stock but what's the story?
https://www.youtube.com/watch?v=vKYQ8xU_D2g
9. Facebook valuation: <http://aswathdamodaran.blogspot.ru/2012/02/ipo-of-decade-my-valuation-of-facebook.html>
10. Management Matters: Facebook and Twitter:
<https://www.youtube.com/watch?v=dVjSzHBzAUA>
11. Session 35: Aswath Damodaran «Relative Valuation»
https://www.youtube.com/watch?v=8N69eLBLTvA&list=PLUkh9m2BorqnDenjSLZ2DHIxrdxoN4Bn_&index=36
12. Session 4-13: Aswath Damodaran «Risk and cost of capital »
https://www.youtube.com/watch?v=qofdyX0vudk&index=5&list=PLUkh9m2BorqnDenjSLZ2DHIxrdxoN4Bn_
13. Aswath Damodaran «Valuation»
https://www.youtube.com/watch?v=znmQ7oMiQrM&list=PLUkh9m2BorqnKWu0g5ZUp_s_CbQ-JGtbI9

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.