

Corporate Finance

Module 2, 2021-2022

Oleg Shibanov

oshibanov at nes.ru

Course description

This course is devoted to the theoretical concepts of firm valuation and discount rates. We will discuss main steps to build a successful valuation model of a firm or a project, including discounted cash flow model. The course does not require advanced calculus.

Course requirements, grading, and attendance policies

Financial accounting, macroeconomics.

The course grade is based on home assignments (30%), cases (20%) and final exam (50%).

Course contents

Week	Date	Topic	Reading
1		Valuation and capital budgeting 1. Present Value 2. Capital Budgeting Rules	[1]
2		Valuation and capital budgeting 1. Uncertainty, Default and Risk 2. Risk and Return. The Capital Asset Pricing Model (CAPM). WACC	[2]
3		Real World Applications 1. Capital Budgeting: Applications and Pitfalls 2. From Financial Statements to Economic Cash Flows	[3], [8]
4		Capital Structure and Payout Policy 1. Valuations for Comparable and Financial Ratios 2. Corporate Claims	[4]
5		Capital Structure and Payout Policy 1. Stock and Bond Valuation 2. Capital Structure in a Perfect Market	[5]
6		Capital Structure and Payout Policy 1. Taxes and Capital Structure. WACC again 2. M-M theorem	[6]
7		Real options 1. Using real options for a firm's projects	[7], [9]

Course materials

1. Ivo Welch, Corporate Finance: 4th Edition, 2017, Chapters 2 and 4
2. Ivo Welch, Corporate Finance: 4th Edition, 2017, Chapters 6 and 10 (also 7-9)
3. Ivo Welch, Corporate Finance: 4th Edition, 2017, Chapters 13 and 14
4. Ivo Welch, Corporate Finance: 4th Edition, 2017, Chapters 15 and 16
5. Ivo Welch, Corporate Finance: 4th Edition, 2017, Chapters 3 and 17

6. Ivo Welch, Corporate Finance: 4th Edition, 2017, Chapters 18, 20 (partially 19)
7. Ivo Welch, Corporate Finance: 4th Edition, 2017, Chapter 27
8. Case “WACC and IRR”
9. Case “Payout policy”

Academic integrity policy

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