

Advanced Corporate Finance

Dr. Pedro Saffi

Course Syllabus – 2017

A. Goals and learning outcomes

This course will use a mix of lectures and the case method to study the practical aspects of important topics in corporate finance. The goal is to teach you how to apply the concepts and techniques learnt in your core Finance courses to real-life situations. The course is roughly divided into three sections (1) funds needs / working capital management; (2) corporate financing decisions; (3) Topics, including initial public offerings and M&As.

In addition to analysing the specific financing problems or issues, we will consider how those issues relate to the strategic objectives of the firm. It will be important to examine the “big picture” assumptions that are used in the numerical calculations. This course also places emphasis on presentation and discussion skills. It will be important to explain your positions to each other and to argue convincingly for your recommendations.

The intended learning outcome is that students should be able to

- 1) use standard valuation methods (multiples, WACC, APV) to determine the value of a project or a firm.
- 2) explain and critically evaluate standard corporate finance concepts (MM, Trade-off theory, pecking order theory, asymmetric information).
- 3) make decisions in the “real world” according to the frameworks learned. The students should be able to handle, not only to analyse, the problems and to solve them analytically. More precisely, students should be able to conduct the issuance of equity, bid for another company, and implement the optimal capital structure for their firm.
- 4) recognise key issues and formulate solutions for them.
- 5) critically assess and discuss own and others’ solution proposals.
- 6) apply the solution methods to other situations not covered in the course.

B. Course Procedures

For each case study (including the first one!), I will assign study questions in advance. During most of each class, we will discuss these questions and the material in the case.

The readings and articles, which I have assigned and will hand out, are largely non-technical in nature and summarize the findings of academic research in corporate finance in the recent past. These articles are meant to be background material, which will help you to analyse the cases.

In the past, students have asked for handouts of the “correct” case analysis after the class has discussed the case. *I will not do this for two reasons.* First, the best cases are deliberately written to be ambiguous. While there are no right answers, there are good and bad arguments. Handing out my analyses would reduce the ambiguity in the cases and partially defeat the purpose of doing cases. Second, when case analyses are handed out, with probability one these answers will reach students who take the class in the future. This seriously impedes the case discussion and imposes huge negative externalities both on myself as well as on other people teaching the same cases.

C. Methodology

The course has 10 sessions, with each one lasting 3.5 hours and using a mix of lectures and case studies discussion. A set of lecture notes and case preparation questions are distributed in advance for each week and supplementary readings contained in a course pack, together with case studies, which will be covered and discussed in lectures. The course page also includes additional materials such as Excel spreadsheets to help you.

D. Course Materials

Cases and readings that can be posted online will be available on Moodle. Case study questions and Excel sheets will also be posted on Moodle.

Suggested Textbook: Berk and DeMarzo, Corporate Finance, 2nd Edition, Pearson 2011 (1st edition will also work.)

E. Grading

Grading will be based on class participation (20%) and a final examination (80%).

The final examination will count for 80% of the final grade. The final examination will be an individual exam, where you will analyse a case study like the ones we have covered in class.

Schedule of Lectures and Cases

Week	Topic	Case
1	Course Intro	–
2	Working Capital Management	Dell
3	Capital Budgeting	Tottenham Hotspurs
4	Capital Structure	–
5	Capital Structure (Cont.)	Debt Policy at UST
6	Cost of Capital	–
7	Cost of Capital (Cont.)	Midland Energy
8	Mergers & Acquisitions	Valuation of AirThread Connections
9	IPOs	Prada's Hong Kong IPO
10	Exam (Case Based)	–

Remarks: In analysing cases, both for the discussion in the lecture as well as in assignments, you should focus on the main conceptual issues these raise, and make assumptions to shed light on major policy trade-offs, rather than treating the case as an extended problem set, with a correct answer! Be prepared to discuss how plausible your assumptions are and how much they affect your recommendation.

It is important for this course that you keep up with the assigned lecture notes and readings, and read as well as think about the issues pertinent to each case in advance. For questions regarding lecture notes and assignments, you should make use of the help of your course Teaching Assistant, as needed post-lecture.

The main point of the cases is to help you learn by thinking in advance about the material we discuss each week. Reading the assigned readings for each week is crucial and preparing for the cases is the best way to enjoy and learn from this course.

The ideas in the cases and readings for class are deep; the analysis can get complex. You will learn more from the course by discussing these cases together in a learning team. My advice about the cases is: do your best in working through them, but recognise that they are hard and you will not always get it right.