

CORPORATE

MASTER IN INTERNATIONAL BUSINESS MANAGEMENT

AREA: FINANCE

CREDITS: 3

LEARNING OBJECTIVES

After taking Corporate Finance, students should be able to:

- Calculate and estimate firm free cash flows. Evaluate an investment project profitability using common investment criteria, including NPV, IRR and Pay-back.
- Understand the impact of company's net working capital (inventory, payables and receivables) in cash flow generation.
- Produce forecasts of the future financial needs of a business.
- Be familiar with Miller and Modigliani propositions. Unleverage and releverage stock betas.
- Estimate the cost of capital of a business: cost of equity (based on CAPM), cost of debt, WACC and cost of the assets. Predict how the cost of capital changes with the company's leverage.
- Understand capital structure: the tradeoffs involved in the use of alternative sources of finance, and identify the factors that affect the optimal level of borrowing.
- Describe the main considerations affecting the payout policy of a firm. Critically compare buyback and dividends.
- Appraise the value of a business using common valuation criteria: WACC, APV, multiples. Intuitively explain growth and Terminal Value.

METHODOLOGY

The course will be a mix of lectures and case discussions.

The case method requires that the course be considered as an on-going business commitment and classes as business meetings. The course uses these meetings as the vehicle for learning finance. The professor is just another participant which presumably has devoted more time than the average attendant to prepare for the meeting and conceivably may be sometimes perceived as somewhat more experienced or knowledgeable about the kind of problems being discussed. However, he can never be presumed to be more intelligent or creative than anyone in the meeting. In addition, the professor sets the agenda of the meeting, moderates the discussions, and evaluates the performance of those attending the meeting.

As a consequence, the professor will rarely lecture but on specific minor technicalities. His role will be to help bringing relevant topics to the discussion arena, to summarize a line of thought, pinpoint inconsistencies, etc. The better prepared we come to the business meetings, the more fruitful the learning experience will be for all, including me. Consequently, we are all expected to

(1) attend all class meetings, (2) come prepared for them, and (3) contribute regularly to the discussion.

COURSE MATERIAL

<https://ie.on.worldcat.org/courseReserves/course/id/10022183>

Lecture notes are the main source for the theory. Additional material (like exercises and reading handouts) will be updated periodically in the DOCUMENTS folder in Campus on Line (COL). We will use this tool as the main interface for communication. Please, check it regularly.

All lectures have their corresponding chapter/s reference in the following course book (please, see the course outline for details):

Principles of Corporate Finance, R. Brealey, S. Myers and F. Allen (BMA). Irving McGraw- Hill, 11th edition (2014), Global Edition

Analysis for Financial Management, R. Higgins (H), Irving McGraw-Hill, 10th International edition (2012)

Corporate Finance, A. Damodaran (D), Wiley, 2nd edition (2001)

Copies of some of the relevant chapters will be available in COL as a pdf. Of course, you are most encouraged to read the financial newspapers:

Wall Street Journal. The Economist Financial Times

LECTURE NOTES AND READING HANDOUTS

Some sessions contain a Multimedia Document or video. Students are expected to check this material BEFORE class in preparation for the concepts to be discussed or the exercises to be solved.

Lecture notes are the basic material to follow the course successfully. In some lectures, I include copies from a book chapter as additional reading. If you require additional reading on a specific topic, please let me know.

Additionally, extra articles may be distributed in hand or posted on COL during the course. Please, check COL regularly for updates.

PRACTICE EXERCISE SETS

Statements to the Practice Exercises Sets are available online from day one. Solutions will be posted after class. Some of the exercises will be discussed in class. For the rest, please, contact me in my office hours. The recommend books also contain innumerable tests and questions with the corresponding answers in the Solutions Manual (available in the Library).

Neither the Practice Exercises Sets nor the book questions will be graded. Keep in mind, however, that they are the best way to prepare for the exams and to get a full understanding of the theory concepts.

FINAL PROJECT AND MILESTONES

The project is a group exercise for ALL groups. This project evolves parallel to the course and concludes with a report that must be turned in (by email) by the **DEADLINE(Check Campus Online for the date)**. For more information about this project I kindly refer you to the corresponding folder in Campus Online. This project will be graded and evaluated. You will receive feedback on the project before the end of the course.

ALL GROUPS must turn in a summary of their progress in the project as scheduled in the Course Outline.

Besides that, each group will be presenting his progress on a particular project milestone in class. You'll have 20 minutes (per group) to explain the class how you have addressed the questions corresponding to that project topic. I will grade your material and presentation, taking into account not only your conclusions but how you handle the questions and the discussion in class.

The main idea is to have an opportunity to debate about each topic in the project using your firms as real examples. Your grade will depend on how much everybody learns from your work!

Please respect the deadlines. They are posted at the end of this syllabus.

QUIZZES AND FINAL EXAM

There will be **three Quizzes** after each corresponding course block. **Quizzes are mandatory** and they are part of your final grade. They take place online in class in the designated dates (see class schedule below). They can be missed only for special reasons like a job interview that can't be moved or an unexpected personal emergency. In that case, please ask for my explicit permission. If granted, the quiz grade weight will be added to the final exam weight in the final grade. Unauthorised missed quizzes count as zero.

There will be an **open book final exam in class**.

Instructions about the final exam logistics will be given in due time. Please, book the date and time for the final exam: **TO BE ANNOUNCED ONLINE**

It is important to understand that there will be no change regarding the final exam date. NO EXCEPTION.

CLASS ATTENDANCE AND GRADING POLICY

The grade will be based on the written project, project milestone presentation, class participation, quizzes and the final exam. Class participation is graded as follows: 1-below the average; 2- average participation; 3- above average participation. I may use half points as well. Students with more than 2 unjustified missed lectures will get 0.

The grade will be calculated as follows:

Criteria	Final
Project	
Milestone	
Presentation	
Class Participation	
QUIZ 1	
QUIZ 2	
QUIZ 3	
Final Exam	

The final grade will be the highest between the scale above and the following:

Criteria	Score %	Comment
Final Project	30%	0-10 Points
Milestone Presentation	10%	0-10 Points
Class Participation	20%	0-03 Points
Final Exam	40%	0-10 Points

The grade scale for every item is numerical (points). After computing the weighted average point grade for every student, point grades will be ranked. Letter grades will be then assigned following the IE grade distribution system. Students will receive an itemized breakdown of their point grade through the GradeCenter on COL.

CLASS ATTITUDE

You are expected to show due respect to the instructor and the rest of your class mates. This includes paying attention, participating actively and avoiding any distraction in the normal functioning of the lecture. Chatting, checking your email, phone calls or reading newspapers are strictly forbidden in class.

PUNCTUALITY

It is my commitment to be in class ready to start sharp on time and so I will do no matter whether you're ready or not. I will finish 80 minutes later. The door will be open until 5 minutes after the class starts. Once it's closed the room cannot be accessed, sorry. Please keep in mind that I may be teaching several courses simultaneously. Many days I will have to run from one classroom to the next, not necessarily in the same building. If you want to ask me anything, make use of my office hours.

ETHICS CODE

This course will be conducted according to the rules specified in the IE Ethic Code, which mandates zero tolerance for academic dishonesty. You are expected to be familiar with the School's Ethic Code and to follow the procedures outlined therein. All discussions about case assignments are to be limited to your group. Materials like case reports from other students, previous years or other courses or other publicized information on cases are not to be consulted.

All work handed in for grading has to be your own or your group's, and all sources of information used have to be accounted for.

Each assignment should include a signed statement indicating adherence to the IE Ethic Code.