



Florence University of the Arts (FUA) is an academic institution for study abroad in Florence, Italy. FUA collaborates with The American University of Florence (AUF), an international university offering US-style undergraduate and graduate degrees, in a cooperation to offer study abroad programs with a diverse breadth and depth of academic curriculum. FUA study abroad programs may include AUF offerings, which are US-aligned in terms of higher education standards as per the university's institutional structure. Common courses offered by FUA and AUF have been jointly selected by both institutions as eligible for mutual recognition and delivery. As such, equal academic standards, credibility, and outcomes are vetted by the Academic Offices of the institutions for all courses and syllabi offered in the study abroad program.

DEPARTMENT OF FINANCE

COURSE TITLE: CORPORATE FINANCE

COURSE CODE: BUAFCF300

3 Semester Credits

1. DESCRIPTION

This course provides an introduction to the theory, methods, and challenges of corporate finance. The main focus is on financing decisions and investment. The following topics are addressed: risk and return, asset markets and market efficiency, valuation, capital structure, capital budgeting, dividend policy, and derivative securities. Some consideration will also be given to financial management issues that multinational firms face, with an emphasis on the effects of currency denomination on financial decisions.

2. OBJECTIVES

Upon successful completion of this course students will have a general overview of financial topics, theories and techniques. They will be able to read and interpret financial data, to understand the implications of finance in the value of the business, to master specific techniques of financial planning and to assess the importance of leverage in the vision of value creation at business and corporate level.

Course topics include:

- Capital budgeting decisions and investment evaluations
- The financial tradeoff between risk and return
- The cost of capital and its importance in corporate evaluations
- The interactions between taxes, leverage and cost of capital and their impact on financial decisions
- The role of finance in the growth of the business
- The value of the firm and the market for mergers and acquisitions

3. REQUIREMENTS

There are no prerequisites for this course

4. METHOD

This course consists of lectures, class discussions, projects, and interaction with the local community. Mediums for instruction used will include, but are not limited to, interactive and hands-on activities which challenge thought processes, integrate relevant academic sources, may include multimedia references, propose creative problem-solving, and other appropriate forms of delivery as deemed appropriate to the course's purpose.

5. TEXTBOOK – FURTHER READINGS – RESOURCES

TEXTBOOK (Copy available at the university library):

R. Brealey, S. Myers, F. Allen, *Principles of Corporate Finance*, 12th Edition, McGraw Hill, 2017

The textbook is mandatory for successful completion of the course.

Where applicable, additional materials, handouts and/or notes will be provided by the instructor.

FURTHER READINGS

Aswarth Damodaran (NYU) online materials are strongly recommended.

LIBRARIES IN FLORENCE

Course participants may access the campus library. Please consult the posted schedules for official opening times. Texts may be consulted on-site, and scanning/internet services available.

6. COURSE MATERIALS

No additional course materials are necessary.

7. COURSE FEES

Course fees cover course-related field learning activities, visits, and support the instructor's teaching methodologies. Book costs are not included in the course fee. If this course requires a fee, the exact amount is communicated prior to enrollment.

8. GRADING AND EVALUATION & ATTENDANCE

10% Attendance

10% Class Participation

20% Assignments

20% Midterm Assessment (Special/Research project in intensive sessions)

20% Final Project

20% Final Exam

A = 93-100 %, A- = 90-92%, B+= 87-89%, B = 83-86%, B-=80-82%, C+ = 77-79%, C=73-76%, C-=70-72%, D = 60-69%, F= 0-59%, W = Official Withdrawal, W/F = Failure to withdraw by the designated date.

Attendance

Class participation is mandatory. Based on the hours defined in the Academic Catalog's attendance policy, students may miss up to 2 class encounters delivered as lecture hours. A third absence constitutes a course failure.

Please note that absence hours may vary according to the learning methodology, as per the academic catalog policy on credit hours: https://catalog.fua.it/standard_regulation

9. EXAMS / PROJECTS / ASSIGNMENTS

Attendance and participation

Satisfactory participation will be the result of contributing to class discussions by putting forth insightful and constructive questions, comments and observations. Overall effort, cooperation during group work and in-class activities, responsible behavior, and completion of assignments will be assessed.

Reading and quizzes

Along with participation, reading accounts for 15% of the final course grade. Reading of the text book is mandatory for successful completion of the course, further reading is highly recommended. Regular reading quizzes have been designed to ensure that you are completing the reading and engaging in active learning and critical thinking about course concepts outside of class. They are also designed to help you prepare for the final exam in manageable increments. Quizzes may be open-note, which means you may use your notes to assist you in taking the quiz. Notes must be originals (not photocopied) and in your own handwriting. Quizzes will NOT be open book.

The **Final Exam** is divided into four sections:

- Multiple choice questions.
- True-false questions
- Short-answer questions (concise explanations, main ideas, key words, names, etc.)
- Essay questions

The final exam is cumulative.

Midterm Assessment: The instructor will provide students with a task based on topics and readings of the first half of the course. Via submission.

Final Project: The instructor will provide students with guidelines.

10. COURSE OUTLINE

Lesson 1	
Meet	In class
Lecture	Course overview, assignments and expectations. Introduction to Corporate Finance. Corporate Investment and Financing Decisions. The financial goal of the corporation. How to calculate present values. The financial value of time.
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none">- Demonstrate an understanding of the course content, objectives, assignments and expectations- Understand the financial goals of a corporation- Calculate future values, present values, evaluate an investment opportunity- Calculate NPV- Be familiar with perpetuities and annuities
Readings/ Assignments	Textbook, Chapter 1; Chapter 2.1-2.4 Assignment #1 assigned, due by next class meet: The instructor will provide students with a task based on the topics and reading materials of the lesson.

Lesson 2	
Meet	In class
Lecture	Valuing bonds using the present value formula. The term structure of interest rates. Real and nominal interest rates. Corporate bonds and default risk. Sovereign bonds and default risk.
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none">- Apply the PV formula to price bonds- Understand the term structure of interest rates- Understand the difference between interest rate risk and default risk
Readings/ Assignments	Textbook, Chapter 3

Lesson 3	
Meet	In class

Lecture	Net Present Value and other investment criteria. Payback period. Discounted payback. Internal Rate of Return. The IRR rule. Capital budgeting: investing with limited resources.
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none"> - Compare different investment criteria - Understand the dynamics of IRR - Choose among competing investment projects
Readings/ Assignments	Textbook, Chapter 5 first half Assignment #2 assigned, due by next class meet: The instructor will provide students with a task based on the topics and reading materials of the lesson.

Lesson 4	
Meet	In class
Lecture	Estimating cash flows for the NPV rule. A practical case
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none"> - Build the relevant cash flows that will be used for capital budgeting decisions - Understand the difference between monetary and non-monetary items - Become familiar with the concept of net working capital
Readings/ Assignments	Textbook, Chapter 5 second half FINAL PROJECT OVERVIEW.

Lesson 5	
Meet	In class
Lecture	Risk, return and the cost of capital. Measuring portfolio risk: the benefit of diversification. Market risk and the concept of beta. Portfolio theory and CAPM: building the efficient portfolio. Class discussion of assigned case.
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none"> - Fully understand the tradeoff between risk and return in finance - Master the concept of diversification and the benefit in terms of risk reduction - Make efficient investment decisions choosing among competing portfolios of financial assets
Readings/ Assignments	Textbook: Chapter 7 MIDTERM ASSESSMENT ASSIGNED, due prior to next class meet.

Lesson 6	
Meet	In class

Lecture	Valuing common stocks. Price/earning (P/E) ratio. Price to book value. Estimating the cost of equity capital. The link between stock price and earnings per share (EPS). Calculating the present value of growth opportunities. Valuing a business by discounted cash flows. Estimating horizon value
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none"> - Master the concept of P/E ratio and price to book value - Understand the equity cost of capital - Value a business by discounted cash flow - Understand the horizon value
Readings/ Assignments	Textbook, Chapter 4

Lesson 7	
Meet	In class
Lecture	Financial analysis: reading financial statements and working out financial ratios. The balance sheet and the income statement with a financial perspective. Measuring efficiency, performance, leverage from financial statements. Financial planning: link between short-term and long-term decisions. Cash planning.
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none"> - Demonstrate familiarity with the most common financial ratio - Assess efficiency, performance, leverage, and liquidity from financial statements - Demonstrate an understanding of the mechanism of cash planning, be able to read and possibly prepare a financial plan
Readings/ Assignments	Textbook: Chapter 8 Assignment #3 assigned, due by next lesson: The instructor will provide students with a task based on the topics and reading materials of the lesson.

Lesson 8	
Meet	In class
Lecture	Cash flow estimate and projection. The statement of cash flows. From accounting to finance. Projection cash flows to estimate the value of the firm.
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none"> - Demonstrate and understand the statement of cash flow - Build a projection of financial flows
Readings/ Assignments	Textbook: Chapter 16

Lesson 9	
Meet	In class
Lecture	Introducing the company cost of capital. Estimating cost of equity using beta. What beta conceptually is. The effect of financial leverage: does debt matter? Modigliani-Miller I and II. Calculating WACC and tax-adjusted WACC

Objectives	By the end of this class students will be able to: <ul style="list-style-type: none"> - Demonstrate an understanding of the concept of WACC - Display knowledge of Modigliani-Miller I and II - Demonstrate an understanding of the impact of financial leverage
Readings/ Assignments	Textbook: chapter 23 FINAL PROJECT DUE

Lesson 10	
Meet	In class
Lecture	Mergers, acquisitions and corporate restructuring. Sensible motives and dubious motives for mergers. Estimating mergers gains and costs. Right and wrong ways to estimate gains and costs. Proxy fights, takeovers and the market for corporate control. Leveraged buyouts and restructuring. Private equity. Orangina-Lion case (Harvard Business Review): case study discussion. Students will discuss in group a previously assigned business case regarding a real example of corporate acquisition from a private equity investor.
Objectives	By the end of this class students will be able to: <ul style="list-style-type: none"> - Demonstrate an understanding of the rationale behind mergers and acquisitions - Estimate merger gains and costs - Display familiarity with the concept of leveraged buyouts - Explain how private equity and venture capital work - Display knowledge of corporate restructuring - Apply evaluation techniques to a real case - Demonstrate an understanding of the logic of private equity
Readings/ Assignments	Textbook: Chapter 31 Final Project Presentation (if applicable)

Lesson 11	
Meet	In class
Lecture	FINAL EXAM