

**Федеральное государственное автономное образовательное учреждение
высшего образования
"Национальный исследовательский университет
"Высшая школа экономики"**

Факультет экономических наук
Департамент финансов

**Рабочая программа дисциплины «Корпоративные финансы» (Corporate
Finance)**

для образовательной программы «Совместная программа по экономике НИУ
ВШЭ и РЭШ»
направления 38.03.01 «Экономика»
подготовки бакалавра

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Утверждена Академическим советом образовательной программы

«Совместная программа по экономике НИУ ВШЭ и РЭШ»

«__» _____ 201__ г., № протокола _____

Академический руководитель образовательной программы

К.А. Паниди _____

Москва, 2016

Настоящая программа не может быть использована другими подразделениями университета и другими вузами без разрешения подразделения-разработчика программы.

Joint HSE/NES BA in Economics
Program
CORPORATE FINANCE
Spring Semester, 2015-

2016 SYLLABUS

Professor: Sergey Stepanov (sergeystepan@gmail.com, office 4318 at Shabolovka 26)
Assistant: to be announced

Summary:

The main objective of the course is to present the modern approach to the financial analysis of a company and to teach the principles and techniques of evaluating the most important corporate decisions. The core of the course is the analysis of investment (capital budgeting) and financing (capital structure) decisions of a firm. We will first discuss the principles and techniques of selecting investment projects. Secondly, we will examine the determinants of the capital structure choices by firms as well as the notion of the optimal capital structure. We will then discuss how to value a company, taking into account its capital structure. We will also analyze how firms decide on their payouts to shareholders and what the optimal payout policy should be. Finally, we will briefly cover initial public offerings, mergers and acquisitions, corporate governance, short-term financing and risk management.

Prerequisites: microeconomics, calculus, probability theory, introduction to finance

Course outline:

1. Introduction to corporate finance. Notion of corporation, financial statements and financial ratios (4 classes, 1 class = 2 academic hours).
Readings: BD, ch. 1, 2; Welch, ch. 1, 13, 14
2. Fundamentals of capital budgeting (4 classes)
 - 2.1. Refresher on time value of money, discounting, stocks and bonds valuation, risk and return, CAPM
 - 2.2. Basic investment decision rules (NPV, IRR, payback period, etc.)
 - 2.3. Projects with unequal lives: matching cycle, Equivalent Annual Cost (Benefit) method, replacement problem
 - 2.4. Evaluating a project: forecasting earnings, determining cash flows, computing NPV
 - 2.5. Sensitivity analysis, scenario analysisReadings: BD, ch. 4-13; Welch, ch. 2-9;
12
3. Advanced capital budgeting: real options (3 classes)
 - 3.1. Financial options: notion, properties, pricing (binomial model, Black and Scholes formula, Monte-Carlo simulations)
 - 3.2. Real options: types and examples, valuation of projects with real options
Readings: BD, ch. 20-22; Welch, ch. 12.6; CWS, ch. 9
4. Capital structure (5 classes)
 - 4.1. Sources of long-term financing, types of equity and debt financing
 - 4.2. Capital structure in a perfect market (Modigliani-Miller propositions)
 - 4.3. Impact of taxes and costs of financial distress
 - 4.4. Impact of agency costs of equity and debt

- 4.5. Impact of information asymmetries
- 4.6. Firms' choices of capital structure: empirical evidence
Readings: BD, ch. 14-16, 23-24; Welch, ch. 15-18; HGT, ch. 16-19
5. Initial public offerings (2 classes)
 - 5.1. Motives for going public
 - 5.2. Short- and long-run performance of IPOs
Readings: BD, ch. 23; Welch, ch. 21F-G (from companion to main textbook)
6. Capital budgeting and valuation with leverage (5 classes)
 - 6.1. Establishing required rates of return. WACC, APV and FTE (ER) methods
 - 6.2. Valuing a firm: building the financial model, estimating the cost of capital, using DCF to value the firm
 - 6.3. Valuation by comparables (multiples)
Readings: BD, ch. 9, 18-19; Welch, ch. 12.1-12.3, 14, 17.3-17.6
7. Payout policy (dividends and stock repurchases) (2 classes)
 - 7.1. Payout policy in a perfect market
 - 7.2. Effects of taxes, agency problems and information asymmetries on payout policy
Readings: BD, ch. 17; Welch, ch. 19
8. Corporate governance (1 class)
Readings: BD, ch. 29
9. Mergers and Acquisitions (2 classes)
 - 9.1. Motives for M&A
 - 9.2. Hostile and friendly takeovers, takeover defenses, bidding strategies
 - 9.3. Announcement returns and long-run performance of M&A
Readings: BD, ch. 28; HGT, ch. 20
10. Short-term financing (2 classes)
 - 10.1. Working capital management
 - 10.2. Short-term financial planning
Readings: BD, ch. 26-27
11. Risk management (1 class)
Readings: BD, ch. 30; HGT, ch. 21-23

Methodology:

- Weekly sessions (4 hours a week) combining theory, empirical evidence, problem solving and discussion of real-life cases
- A few of the sessions devoted to practical issues will be led by invited speakers with industry experience
- Self-study
- 4-5 home assignments (problem sets) to be solved individually
- 2 cases to be solved in groups of max. 5 people. Cases are real-life situations in which you will have to put yourselves in the shoes of managers taking real-life decisions.

Course Materials:

Required reading: Jonathan Berk and Peter DeMarzo (BD), Corporate Finance, 2007, Pearson (or a later edition)

Additional readings:

- Welch, Ivo, Corporate Finance, 3nd edition, 2014, available *for free* at <http://book.ivo-welch.info/ed3/>
- Hillier, David, Mark Grinblatt, and Sheridan Titman (HGT), Financial Markets and Corporate Strategy: 2nd European Edition, 2011, McGraw-Hill.
- Copeland, Thomas E., Weston, J. Fred, and Kuldeep Shastri (CWS), Financial Theory and Corporate Policy, 4th edition, 2005, Pearson.
- Trigeorgis, Lenos, Real Options: Managerial Flexibility and Strategy in Resource Allocation, MIT Press, 1999.

Other materials and lecture slides will be available at my.nes.ru

Evaluation:

The overall grade will be based on your problem sets (20%), case write-ups (10%), a midterm (25%) and the final (45%). There will be no re-take for the midterm. If you have to skip the midterm due to a valid documented reason, the final will automatically carry 70% weight. If you skip the midterm for no valid reason, you simply get 0 points for it.

The final's format is a set of problems (and, possibly, qualitative questions) to be solved in-class in written form. A makeup for the final will normally have the same format as the final. However, if the number of students taking the makeup is very small, the format may be changed into oral.