



Subject: Advanced Corporate Finance

SYLLABUS

Topic 1. Corporate financing and the cost of capital

- 1.1. Financing resources at corporate level
- 1.2. Estimating the cost of equity
- 1.3. Debt financing: benefits, risks and costs
- 1.4. The weighted average cost of capital
- 1.5. Choosing the proper cash-flows discount rate

Topic 2. Risk, return and capital markets equilibrium

- 2.1. Return and risk of financial assets
- 2.2. Portfolio risk and diversification
- 2.3. Portfolio optimization
- 2.4. Asset pricing models
- 2.5. The role and validity of the CAPM

Topic 3. Capital budgeting

- 3.1. DCF capital budgeting techniques
- 3.2. Modified (double rate) capital budgeting techniques
- 3.3. Adjusting for risk when evaluating investments
- 3.4. Capital rationing models

Topic 4. Capital investment decision in practice

- 4.1. The sensitivity analysis and the Monte Carlo simulation
- 4.2. The investment strategy and process
- 4.3. Real options and decision trees
- 4.4. Capital budgeting in practice

Topic 5. Market efficiency and financing decisions

- 5.1. The efficient market hypothesis
- 5.2. The conflict of interest between managers and shareholders
- 5.3. The agent theory
- 5.4. Financing decision and corporate performance

Topic 6. Dividend policy

- 6.1. Dividends and the dividend policy
- 6.2. Choosing the dividend payout ratio
- 6.3. Dividend payout and corporate performance
- 6.4. Determinants of dividend policy

Topic 7. Theories of capital structure

- 7.1. The theory of Miller-Modigliani
- 7.2. The pecking-order theory
- 7.3. The market-timing capital structure theory
- 7.4. The CAPM and the capital structure

Topic 8. Valuing options

- 8.1. Essentials of option theory
- 8.2. Risk and Option values
- 8.3. The binomial model of valuing options
- 8.4. The Black-Scholes formula

Topic 9. Real options

- 9.1. Strategic flexibility
- 9.2. Types of real options
- 9.3. Aim and importance of analyzing real options
- 9.4. Valuing real options

Topic 10. Risk management: forward contracts, futures contracts and swaps

- 10.1. Risk and insurance strategy
- 10.2. Forward and futures contracts
- 10.3. Evaluating futures contracts
- 10.4. Swaps and credit derivatives

Topic 11. Financial analysis and planning

- 11.1. Dimensions of corporate performance
- 11.2. Strategies of increasing corporate performance
- 11.3. The strategic planning process
- 11.4. Financial planning models
- 11.5. Working capital management and short-term financial planning

Topic 12. Mergers and acquisitions

- 12.1. Motives of mergers and acquisitions
- 12.2. Strategic approach to mergers and acquisitions
- 12.3. Gains and benefits estimation in case of mergers and acquisitions
- 12.4. Corporate restructuring

Topic 13. Corporate governance

- 13.1. Principles of corporate governance
- 13.2. Models of corporate governance and implications on strategic decisions
- 13.3. The role of stock-exchange in good corporate governance
- 13.4. Convergence of corporate governance models

Topic 14. Good practice of corporate governance

- 14.1. Corporate ownership and control
- 14.2. The role and responsibilities of investors
- 14.3. Managing the conflict of interest between managers and shareholders
- 14.4. Transparency, control system and risk management

References:

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5. Hirschey M., Kose J., Makhija A., *Corporate Governance and Finance*, Advances in Financial Economics, JAI Press, 2003
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