

## 4MFCEZ37 - Corporate Finance

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**Professor:** Edith GINGLINGER (with Zoren FILIPOVIC, assistant professor)

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**Department:** MSO

**Semester:** 2

**Program:** M1 Finance

**Course level:** Graduate

**Domain:** Management (Finance)

**Teaching language:** English (one group) and French (two groups)

**Number of in-class hours:** 36

**Number of course sessions:** 12 + Exam

**ECTS:** 6

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### Course description and objectives

This course examines important issues in corporate finance from the perspective of financial managers who are responsible for making significant investment and financing decisions. The concept of net present value, suitably adapted to account for taxes, uncertainty, and strategic concerns, is used to analyze how investment and financing decisions interact to affect the value of the firm. The course covers topics such as capital structure, cost of capital, capital budgeting in the presence of uncertainty, payout policies.

**Objectives:**

The primary purpose of this module is to provide an integrated overview of the most important concepts in Corporate Finance, both in theory and in practice. The subject extends the student's knowledge about the context in which corporations operate. While the course is not designed to dwell on abstraction, the basic theoretical underpinnings of the various topics are a prerequisite to competent analysis and intellectual discussion. We emphasize the development of problem-solving skills based on a good understanding of the business environment as opposed to pure theorizing. Because of the practical importance of the material and as an illustration of the relevant theory, we will discuss examples and cases.

### Prerequisites

The prerequisite for this course is a course of Introduction to Finance (for example 2110 U08-corporate finance L3). Some basic familiarity with Excel will be assumed. It is expected that students will be comfortable with the following topics: time value of money, risk-return trade-off, valuation of bonds and stocks, Capital Asset Pricing Model (CAPM).

### Learning outcomes

After completing this module, the student should be able to:

- use the CAPM and apply skills in estimating cost of equity
- estimate the cost of each source of capital and calculate a weighted average cost of capital for a company
- compare and contrast leverage strategies in ideal versus real capital markets and be able to explain the expected impact of alternative taxation systems on the use of debt in a firm's capital structure
- understand capital structure and outline the main factors that financial managers should consider when determining a company's financing strategy and payout policy
- use capital budgeting tools in presence of uncertainty
- critically apply and discuss the theories relating dividends to share price and cost of capital

### Assignments and grading

- The course grade will be based on one midterm exam (50%) and one final exam (50%)

The numerical grade distribution will dictate the final grade. The passing grade for a course is 10/20.

**Class participation:** Active class participation – this is what makes classes lively and instructive. Come on time and prepared. Class participation is based on quality of comments, not quantity.

**Exam policy:** In the exam, students will not be allowed to bring any document (except if allowed by the lecturer). Unexcused absences from exams or failure to submit cases will result in zero grades in the calculation of numerical averages. Exams are collected at the end of examination periods.

## Course structure

Session	Topic
1	Introduction: The finance function and the financial manager; the goal of the firm
2	Capital structure without taxes
3	Debt and taxes
4	CAPM and Cost of capital
5	Financial distress, management incentives and information
6	Options and capital structure
7	Fundamentals of capital budgeting
8	Project based cost of capital
9	Capital budgeting with leverage
10	Advanced topics in capital budgeting
11	Payout policy
12	The choice between dividends and repurchases
12	<b>Final Exam</b>

## Bibliography

- Berk J., et P. DeMarzo, Corporate finance, Pearson, 2016
- Brealey R., S.Myers, F.Allen Principles of corporate finance, Mc Graw Hill, 2016
- Vernimmen P., P.Quiry, Y.Le Fur, Corporate finance, Dalloz, 2017

## MyCourse

This course is on MyCourse: **Yes**

## Academic integrity

Be aware of the rules in Université Paris Dauphine about plagiarism and cheating during exams. All work turned in for this course must be your own work, or that of your own group. Working as part of a group implies that you are an active participant and fully contributed to the output produced by that group.

Academic calendar

Dates (Monday/Sunday)		MSO
06/01/20	12/01/20	M1 droit / SG / S.ECO/S.SSO **
13/01/20	19/01/20	1
20/01/20	26/01/20	2
27/01/20	02/02/20	3
03/02/20	09/02/20	4
10/02/20	16/02/20	5
17/02/20	23/02/20	6
24/02/20	01/03/20	Holidays
02/03/20	08/03/20	7
09/03/20	15/03/20	8
16/03/20	22/03/20	9
23/03/20	29/03/20	10
30/03/20	05/04/20	11
06/04/20	12/04/20	12
13/04/20	19/04/20	Holidays
20/04/20	26/04/20	Review w.
27/04/20	03/05/20	Exams
04/05/20	10/05/20	