

## CORPORATE FINANCE

<b>Course code</b>	<i>FIN117</i>
<b>Compulsory in the programmes</b>	<i>Finance</i>
<b>Level of studies</b>	<i>Undergraduate</i>
<b>Number of credits</b>	<i>6 ECTS (48 in-class hours + 6 consultation hours + 2 exam hours, 104 individual work hours)</i>
<b>Course coordinator (title and name)</b>	<i>Asta Klimavičienė, PhD</i>
<b>Prerequisites</b>	<i>Principles of Finance</i>
<b>Language of instruction</b>	<i>English</i>

### THE AIM OF THE COURSE:

This course unit focuses on the fundamental concepts of corporate finance. It covers both theoretical and empirical aspects of capital investment decisions, determination of cost of capital, valuation, and short-term as well as long-term financing decisions. This course examines the financial goals of a corporation with an emphasis on value creation. This course aims to provide an understanding of main principles and practical skills necessary to analyse financial decisions made by companies, and to evaluate their impact on a company and its financial results.

### MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESSMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	Degree level learning objectives, BMM	Assessment methods	Teaching methods
CLO1. Analyse and evaluate company's activities and financial condition from financial statements (balance sheet, income statement, cash flow statement);	BLO1.1, BLO1.2	Midterm test, coursework	Lectures, seminars, individual study, self- study in groups
CLO2. Evaluate investment projects using different methods: NPV (net present value) and its alternatives (IRR, payback method, profitability index);	BLO1.1	Midterm test	Lectures, seminars, solving exercises, self-study
CLO3. Evaluate and compare different methods of long- and short-term financing;	BLO1.1	Midterm test, final exam	Lectures, seminars, self-study
CLO4. Calculate weighted average cost of capital (WACC) of a corporation, to take taxes into account.	BLO1.1	Final exam, coursework	Lectures, seminars, individual study
CLO5. Apply and compare main corporate valuation methods (discounted cash flows, relative valuation).	BLO1.2, BLO4.3	Coursework, final exam	Lectures, seminars, self-study
CLO6. Relate the main tasks in financial management; discuss the risk of financial decisions	BLO1.1	Midterm test	Lectures, seminars, self-study
CLO7. Work in teams, present work results in writing, substantiate decisions taken.	BLO4.3	Coursework	Self-study in groups, seminars, individual study

### ACADEMIC HONESTY AND INTEGRITY



The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

### COURSE OUTLINE

Topic	In-class hours	Readings
Introduction to corporate finance. The goal of financial management	4	Ch. 1
Financial statement analysis: financial ratios, KPIs	4	Ch. 3
Short-term financing	4	Ch. 26, 27
NPV (net present value) and alternative investment appraisal rules	4	Ch. 6
Implementing the NPV rule	4	Ch. 7
Capital budgeting and risk	4	Ch. 8
MID-TERM TEST	2	
Capital structure: Modigliani-Miller, WACC	4	Ch. 15
Capital structure in imperfect markets	4	Ch. 16
Equity and debt financing	4	Ch. 19, 20
Corporate valuation	12	Handouts
	<b>Total: 48 hours</b>	
CONSULTATIONS	6	
FINAL EXAM	2	

### FINAL GRADE COMPOSITION

Type of assignment	%
<i>Group Components 30%</i>	
Coursework	30%
<i>Individual Components 70%</i>	
Midterm test	35%
Final examination	35%
<b>Total:</b>	<b>100%</b>

## **DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT**

### **Coursework**

Students work in small groups to prepare a valuation of a corporation. Details on the coursework will be provided separately. Coursework must comply with ISM requirements. Coursework counts towards 30% of the final grade.

### **Midterm test**

It will be held after the first half of classes. It counts towards 35% of the final grade. Calculators may be used, provided they cannot store text.

### **Final exam**

The exam counts towards 35% of the final grade. It will be based on topics from the second half of the course. Calculators may be used, provided they cannot store text.

### **RETAKE POLICY**

In case of a negative final grade, students are allowed a re-sit exam. It will cover all course material. The weight of a re-sit is 70%. Coursework cannot be rewritten but its evaluation (if positive) is not annulled.

### **REQUIRED READINGS**

Hillier D., Ross S., Westerfield R., Jaffe J., Jordan B., 2013. *Corporate Finance: Second European Edition*. McGraw-Hill Higher Education. (other editions also suitable)

### **ADDITIONAL READINGS**

Berk, J., DeMarzo, P., 2011. *Corporate Finance*, 2nd international ed. Boston: Pearson Addison Wesley.  
Handouts (electronic versions uploaded to the course e-learning space)

**DEGREE LEVEL LEARNING OBJECTIVES**

**Learning objectives for the Bachelor of Business Management**

*Programmes:  
International Business and Communication,  
Business Management and Marketing, Finance,  
Industrial Technology Management*

<b>Learning Goals</b>	<b>Learning Objectives</b>
Students will be critical thinkers	BLO1.1. Students will be able to understand core concepts and methods in the business disciplines
	BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions
Students will be socially responsible in their related discipline	BLO2.1. Students will be knowledgeable about ethics and social responsibility
Students will be technology agile	BLO3.1. Students will demonstrate proficiency in common business software packages
	BLO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations
	BLO4.2. Students will be able to convey their ideas effectively through an oral presentation
	BLO4.3. Students will be able to convey their ideas effectively in a written paper

**Learning objectives for the Bachelor of Social Science**

*Programmes:  
Economics and Data Analytics,  
Economics and Politics*

<b>Learning Goals</b>	<b>Learning Objectives</b>
Students will be critical thinkers	ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines
	ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements
Students will have skills to employ economic thought for the common good	ELO2.1. Students will have a keen sense of ethical criteria for practical problem-solving
Students will be technology agile	ELO3.1. Students will demonstrate proficiency in common business software packages
	ELO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	ELO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations
	ELO4.2. Students will be able to convey their ideas effectively through an oral presentation
	ELO4.3. Students will be able to convey their ideas effectively in a written paper