

# Corporate Finance

**Academic Level:** BSc

**Workload:** 5 ECTS

**Hours in class:** 32 hours

**Class Teacher:** Yana Korotkova (FE MSU)

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**Prerequisites:** Introductory level accounting

**Aim of the course** is to introduce students with the concepts and tools that managers use to make the right corporate financial decisions. Students will develop the analytical skills for making corporate decisions on investment, dividends, capital structure and financing, working capital.

## Course outline

Class	TOPIC	Readings
Class 1	Introduction to Corporate Finance. Corporate Governance, Agency Relationships and Conflicts	CF&T, Ch 1
Class 2	Financial Statement Analysis	CF&T, Ch 9
Class 3	Capital Budgeting	CF&T, Ch 2
Class 4		
Class 5	Cost of Capital	CF&T, Ch 3
Class 6		
Class 7	Cost Structure, Leverage, Business Risk and Financial Risk	CF&T, Ch 4
Class 8	Capital Structure	CF&T, Ch 5
Class 9	Midterm test	<i>Revision</i>
Class 10	Dividends and Share Repurchases: Basics	CF&T, Ch 6
Class 11	Dividends and Share Repurchases: Further Analysis	CF&T, Ch 7
Class 12	Working Capital Management, Part 1: Liquidity position, operating and cash conversion cycles	CF&T, Ch 8
Class 13	Working Capital Management, Part 2: Managing inventory, accounts payable and receivable	
Class 14	Mergers and Acquisitions. Company Valuation	CF&T, Ch 10
Class 15	Final exam	<i>Revision</i>
Class 16		

## Assessment of knowledge

Type of control	Maximum score
In-class assignments (discussions, calculation tasks and other)	50
In-class mini case analysis	45
Home assignments (mini tests)	70
Midterm test	35
Final exam	50
<b>Total:</b>	<b>250</b>

## Grade Determination (as per FE MSU grading system)

Final grade	Minimum score	Maximum score
Excellent	212,5	250
Good	162,5	212,4
Satisfactory	100	162,4
Non-satisfactory (Failed)	0	99,9

## Literature

### Obligatory:

1. Michelle R. Clayman, Martin S. Fridson, George H. Troughton. *Corporate Finance : A Practical Approach*. Vol 2nd ed. Wiley; 2012.

URL: <http://search.ebscohost.com/login.aspx?direct=true&db=nlebk&AN=433540&site=ehost-live>  
(Available via FE MSU Institutional Subscription)

2. Michelle R. Clayman, Martin S. Fridson, George H. Troughton. *Corporate Finance Workbook : A Practical Approach*. Vol 2nd ed. Wiley; 2012.

URL: <http://search.ebscohost.com/login.aspx?direct=true&db=nlebk&AN=433539&site=ehost-live>  
(Available via FE MSU Institutional Subscription)

### Recommended:

1. Baumol, William J. "The Transactions Demand for Cash: An Inventory Theoretic Approach." *The Quarterly Journal of Economics*, vol. 66, no. 4, 1952, pp. 545–556.

URL: JSTOR, [www.jstor.org/stable/1882104](http://www.jstor.org/stable/1882104) (Available via FE MSU Institutional Subscription)

2. Fama, Eugene F. Risk-adjusted discount rates and capital budgeting under uncertainty, *Journal of Financial Economics*, Volume 5, Issue 1, 1977, Pages 3-24.

URL: [https://doi.org/10.1016/0304-405X\(77\)90027-7](https://doi.org/10.1016/0304-405X(77)90027-7) (Available via FE MSU Institutional Subscription)

3. Hamada, R.S. (1969), PORTFOLIO ANALYSIS, MARKET EQUILIBRIUM AND CORPORATION FINANCE. *The Journal of Finance*, 24: 13-31.

URL: <https://doi.org/10.1111/j.1540-6261.1969.tb00339.x> (Available via FE MSU Institutional Subscription)

4. HARRIS, M. and RAVIV, A. (1991), The Theory of Capital Structure. *The Journal of Finance*, 46: 297-355.

URL: <https://doi.org/10.1111/j.1540-6261.1991.tb03753.x> (Free Access)

5. Lintner, John. "Distribution of Incomes of Corporations Among Dividends, Retained Earnings, and Taxes." *The American Economic Review*, vol. 46, no. 2, 1956, pp. 97–113.

URL: JSTOR, [www.jstor.org/stable/1910664](http://www.jstor.org/stable/1910664) (Available via FE MSU Institutional Subscription)

6. Luehrman TA. Using APV (adjusted present value): a better tool for valuing operations. *Harvard Business Review*. 1997 May-Jun;75(3):145-6, 148, 150-4.

URL: <https://hbsp.harvard.edu/product/97306-PDF-ENG>

7. McInnes, J. Morris, and Willard J. Carleton. "Theory, Models and Implementation in Financial Management." *Management Science*, vol. 28, no. 9, 1982, pp. 957–978.

URL: JSTOR, [www.jstor.org/stable/2631008](http://www.jstor.org/stable/2631008) (Available via FE MSU Institutional Subscription)

8. Miller, M.H. (1977), DEBT AND TAXES. *The Journal of Finance*, 32: 261-275.

URL: <https://doi.org/10.1111/j.1540-6261.1977.tb03267.x> (Available via FE MSU Institutional Subscription)

9. Miller, Merton H. "Behavioral Rationality in Finance: The Case of Dividends." *The Journal of Business*, vol. 59, no. 4, 1986, pp. S451–S468.

URL: JSTOR, [www.jstor.org/stable/2352774](http://www.jstor.org/stable/2352774) (Available via FE MSU Institutional Subscription)

10. Miller, Merton H., and Franco Modigliani. "Dividend Policy, Growth, and the Valuation of Shares." *The Journal of Business*, vol. 34, no. 4, 1961, pp. 411–433.

URL: JSTOR, [www.jstor.org/stable/2351143](http://www.jstor.org/stable/2351143) (Available via FE MSU Institutional Subscription)

11. Miller, Merton H., and Daniel Orr. "A Model of the Demand for Money by Firms." *The Quarterly Journal of Economics*, vol. 80, no. 3, 1966, pp. 413–435.

URL: JSTOR, [www.jstor.org/stable/1880728](http://www.jstor.org/stable/1880728) (Available via FE MSU Institutional Subscription)

12. M. H. Miller and K. Rock. Dividend Policy under Asymmetric Information//*Journal of Finance*. 40: 1031–1052. 1985. September.

URL: <https://doi.org/10.1111/j.1540-6261.1985.tb02362.x> (Free Access)

13. Modigliani, Franco, and Merton H. Miller. "The Cost of Capital, Corporation Finance and the Theory of Investment." *The American Economic Review*, vol. 48, no. 3, 1958, pp. 261–297.

URL: JSTOR, [www.jstor.org/stable/1809766](http://www.jstor.org/stable/1809766) (Available via FE MSU Institutional Subscription)

14. Myers Stewart C., Majluf Nicholas S., Corporate financing and investment decisions when firms have information that investors do not have. *Journal of Financial Economics*, Volume 13, Issue 2, 1984, Pages 187-221.

URL: [https://doi.org/10.1016/0304-405X\(84\)90023-0](https://doi.org/10.1016/0304-405X(84)90023-0) (Available via FE MSU Institutional Subscription)

15. Myers, Stewart C. "Finance Theory and Financial Strategy." *Interfaces*, vol. 14, no. 1, 1984, pp. 126–137.

URL: JSTOR, [www.jstor.org/stable/25060526](http://www.jstor.org/stable/25060526) (Available via FE MSU Institutional Subscription)

16. Myers, Stewart C. "Interactions of Corporate Financing and Investment Decisions- Implications for Capital Budgeting." *The Journal of Finance*, vol. 29, no. 1, 1974, pp. 1–25.

URL: JSTOR, [www.jstor.org/stable/2978211](http://www.jstor.org/stable/2978211) (Available via FE MSU Institutional Subscription)

17. MYERS, S.C. (1984), The Capital Structure Puzzle. *The Journal of Finance*, 39: 574-592.

URL: <https://doi.org/10.1111/j.1540-6261.1984.tb03646.x> (Free Access)

18. RAJAN, R.G. and ZINGALES, L. (1995), What Do We Know about Capital Structure? Some Evidence from International Data. *The Journal of Finance*, 50: 1421-1460.

URL: <https://doi.org/10.1111/j.1540-6261.1995.tb05184.x> (Free Access)

19. Rubinstein, M.E. (1973), A MEAN-VARIANCE SYNTHESIS OF CORPORATE FINANCIAL THEORY. *The Journal of Finance*, 28: 167-181.

URL: <https://doi.org/10.1111/j.1540-6261.1973.tb01356.x> (Available via FE MSU Institutional Subscription)

Additional literature may be distributed during the course.