UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

SYLLABUS DEL CORSO

Principles of Corporate Finance

2122-2-F5602M012

Learning area

Finance; corporate finance.

Learning objectives

The course aims at developing a good understanding of the financial strategies of companies with reference to the different types of financial contracts and sources of external finance.
Students will be invited to discuss in class within reading groups and will be evaluated for their ability to understand the weakness and strength of specific case studies.

Contents

The course will explore the variety of financial contracts with which corporations are financed. Any financial contract can be defined in terms of the remuneration promised to investors and control rights. For instance banks are more active type of investors compared to bond-holders, since they collect information and tend to be tougher in case of firm distress. Venture capitalists tend to retain more control rights compared to bond-holders and hence are more similar to equity-holders. Corporate governance is intimately related to the choice of the financial structure of corporations. All topics will be analyzed both from the theoretical point of view and referring to the empirical evidence, whenever possible, around the world.

Detailed program

1. The financial structure of the firm

- -Modigliani-Miller theorem: is the financial structure neutral?
- -Debt as incentive mechanism.
- -Debt and excessive risk.
- -Debt overhang.
- -Empirical evidence on the financial structure of firms

2. The role of banks vs. bond-holders

- Why do banks and bond-holders cohexist?
- Banks vs. arms' length creditors
- Empirical evidence of the value of bank credit

3. Initial Public Offering

- Going public: theory and empirical evidence

4. Venture capital

- Role of venture capitalists as advisors.
- Empirical evidence on the importance of venture capital

5. Conglomerates

- Effect of conglomeration
- The empirical evidence of a conglomerate discount

6. Finance and law

- The importance of the legal system for corporate finance. Empirical evidence

Prerequisites

It is advisable that students have some knowledge of Microeconomics, Financial Markets and Econometrics.

Teaching methods

Normally it will be class lectures; classes; presentations by students.

Due to the pandemic emergency the class lectures may be online.

Assessment methods

At the end of the course there will be a written examination (also in case of the pandemic emergency). The exam verifies the main concepts presented during lectures: in particular each student must be able to use simple models to work out analytical answers or to refer to the empirical evidence connected to each type of external finance channel. Students attending the lectures will be given the possibility to substitute one question of the written exam with a paper related to specific corporate finance topics to be presented in front of the class: this exercise helps them to strenghten both fast reading comprehension and comunication skills.

Textbooks and Reading Materials

- Brealey-Myers-Allen, *Principles of Corporate Finance,* 11 ed., McGraw-Hill.
- Tirole J., *The Theory of Corporate Finance,* Princeton Press, 2006.
- *Handbook of Corporate Finance*, Edited by Espen Eckbo, Vol.1, Elsevier, 2007.

Other material will be provided on the elearning.