



UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Principles of Corporate Finance

2526-2-F5602M012

Learning objectives

The course delivers a rigorous framework for navigating the core pillars of corporate finance: the investment, financing, and dividend decisions. By considering the mechanics of value creation, students learn to evaluate how firms deploy capital in competitive global environments. The objective is to bridge the gap between financial theory and market reality, providing the analytical depth necessary to assess a company's long-term financial viability and its intrinsic worth.

Contents

The course presents the main decision-making areas that a company's financial function oversees, with particular reference to industrial and service companies operating in international markets. After addressing the issue of corporate governance and conflicts of interest, the course seeks to answer the following questions:

- What is Corporate Finance? The role of equity and debt in supporting company growth.
- How can a company minimize the costs associated with agency problems?
- What is the minimum return an investment must generate to be acceptable?
- Does the way a company finances its operations affect firm value? And does an optimal capital structure exist?
- What is the intrinsic value of a business today?
- What are the goals of sustainable finance and its tools?
- What are some of the empirical methods available for analyzing corporate finance correlations and related events?

Detailed program

The course detailed program is the following:

- The financial function in industrial and service firms, including the role of the chief financial officer (CFO), the interaction with the financial system, and the distinction between real and financial assets.
- Corporate governance and agency theory, focusing on conflicts of interest, monitoring mechanisms, management incentives, and the balance between shareholder and stakeholder perspectives.
- Financial statement analysis and accounting-based metrics, encompassing the evaluation of historical performance and the use of financial ratios to assess firm health.
- Cash flow analysis and financial planning, involving the translation of accounting data into economic flows and the development of long-term financial forecasts.
- Risk, return, and the Capital Asset Pricing Model (CAPM), including the estimation of hurdle rates, the cost of equity, and the diversification of market risk.
- The firm's cost of capital, specifically the calculation of the Weighted Average Cost of Capital (WACC) and its application in corporate decision-making.
- Investment decisions and capital budgeting,
- Financing decisions and the Modigliani & Miller (M&M) framework, exploring the irrelevance proposition and the impact of taxes and market imperfections on capital structure.
- Optimal corporate financial structure, analyzing the trade-off between the tax benefits of debt and the costs of financial distress to maximize firm value.
- Valuation principles and practice, applying discounted cash flow (DCF) models and relative (or comparable) valuation techniques to estimate the intrinsic value of businesses and equity.
- Basic concepts of sustainable finance.
- Empirical corporate finance.

Prerequisites

A basic knowledge of financial mathematics and business accounting is strongly recommended. Additionally, familiarity with corporate financial news and capital markets is helpful but not required.

Teaching methods

The course consists of 35 hours (5 CFU) of face-to-face lectures and 24 hours (2CFU) of esercitazioni (learning by doing sessions), which will include

- Instructor-led lectures with interactive discussion based on previously assigned readings
- Case studies
- Practitioner lectures
- Small group assignments

Assessment methods

Students will receive a single final mark out of 33 for this 7 ECTS course. A score of 33/30 represents a mark of 30 e lode (summa cum laude). The evaluation is divided into the following three components:

1. Class Participation (5/33 points)

Active engagement is considered a vital part of the learning process. Students are evaluated on their ability to:

- Contribute constructively to class debates and interactive exercises.
- Engage critically with the topics and assigned readings.
- Participate actively in the analysis of financial and strategic cases.

2. Group Project (15/33 points)

The project aims to develop advanced analytical skills by examining a company's governance, and financing, investment decisions, and valuation through the lens of sustainability. Working in teams, students will:

- Analyze a selected company using the theoretical frameworks introduced during the course.
- Conduct autonomous research (and in class group assignments): Groups must consult institutional websites, corporate reporting, and financial databases to gather data for their analysis.
- Present findings: Results are presented to the class.

3. Final Exam (13/33 points)

The final assessment consists of a written examination designed to verify the acquisition of core concepts.

- Format: The exam is composed of multiple-choice questions.
- Scope: The questions cover the corporate finance content presented in the course

Textbooks and Reading Materials

Brealey R., Myers S., Allen F., Edmans A. (2023), Principles of Corporate Finance, 14th edition, McGrawHill (Ch. 1; 5-16; 19; 33)

Damodaran A. (2014) Applied Corporate Finance, 4th edition Wiley (Ch. 1-8; 10; 12)

PPT slides used during lectures

Additional readings (e.g., articles, book chapters, assignments, reports) made available by the lecturer on the course's e-learning website

Semester

Second semester

Teaching language

English

Sustainable Development Goals

QUALITY EDUCATION | DECENT WORK AND ECONOMIC GROWTH | INDUSTRY, INNOVATION AND INFRASTRUCTURE | RESPONSIBLE CONSUMPTION AND PRODUCTION
