UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

SYLLABUS DEL CORSO

Corporate Finance

2627-2-F7704M022

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.

Knowledge and understanding
At the end of the course the student will have a fundamental understanding of:
• The primary objective of the firm and the trade-offs between shareholder wealth and broader stakeholder interests.
• The relationship between risk and return, specifically how to quantify hurdle rates and the cost of capital.
• The mechanics of investment logic, focusing on the spread between return on capital and the cost of funding.
• The drivers of an optimal capital structure and the balance between tax advantages and financial distress.
• The principles governing cash return policies and the choice between reinvestment and dividends.

Applying knowledge and understanding
At the end of the course the student will be able to:
• Execute detailed firm valuations using discounted cash flow models and comparable relative pricing.
• Compute the weighted average cost of capital to reflect the specific risk profile of a business unit.
• Translate accounting data into free cash flows to better capture the economic reality of a company.
• Design a financing strategy that aligns with a firm's asset structure and cash flow volatility.

Making judgements
At the end of the course the student will be able to:
• Determine whether a corporate strategy is truly generating value or merely growing the balance sheet.
• Critique a firm's capital structure by weighing the benefits of leverage against the risk of insolvency.
• Assess the quality of corporate governance and its impact on financial transparency and decision-making.
• Evaluate the appropriateness of a company's payout policy based on its lifecycle and growth prospects.

Communication skills
At the end of the course the student should be able to
• Synthesize complex financial models into clear, actionable narratives for executive decision-makers.
• Defend valuation assumptions and strategic recommendations using professional financial terminology.
• Work effectively in teams to conduct peer reviews of financial analyses and investment pitches.

Learning skills
At the end of the course the student should be able to stay current with evolving market trends and financial innovations in the domain of corporate finance as well as possess the autonomy to extract and normalize data from diverse financial sources and engage critically with the latest debates in the global financial community.

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?

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.

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 6 CFU of face-to-face lectures, which will include:

• Instructor-led lectures, delivered as delivered didactics (DE), in presence, with interactive discussion of concepts, frameworks and examples.
• Sessions, delivered as interactive didactics (DI), in presence, including individual tasks, pre-assigned readings, practitioner lectures, group assignments and presentation activities.
• Any remote synchronous or asynchronous activities, if scheduled, will not exceed 30% of the total teaching hours and will be communicated through the e-learning platform.

Assessment methods

Students will receive a single final mark out of 33 for this 6 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

For students who are unable to take part in the group project, the assessment will consist of an individual written exam based on multiple-choice questions covering the contents and learning objectives and an oral exam.

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