

Corporate and Int. Finance

2011/2012

Course Contents

DESCRIPTION

In the modern world, be it commercial, government, not-for-profit or personal, nothing happens without finance. Whatever career a student eventually follows, he/she will need to have an understanding of finance. This course is the last in a series of finance courses which will provide a better than basic understanding of financial matters as well as many of the techniques required to solve corporate finance problems.

OBJECTIVES

The objective of the Corporate Finance course is to develop the knowledge and skills obtained from earlier finance courses so that they are able to analyse the financial positions of companies, to understand globalisation and the risks involved, to know about sources of finance and their cost and to appreciate the problems of the corporate finance manager and the solutions available to him or her. To enable students to understand current events in the financial world and to be able follow events such as mergers and acquisitions and the raising of capital intelligently and knowledgeably.

Methodology

The learning experience is based on a range of teaching methods that seek to foster students' understanding of the world of corporate finance and the development of skills and techniques, such as theoretical presentations, practical exercises and self-directed learning based on recommended readings and research.

Readings

Recommended Textbook

"Fundamentals of Corporate Finance" By Brealey, Myers and Marcus 9th edition, published by McGraw Hill (ISBN 0-07-118028-1). The web-site for the book (www.mhhe.com/bmm5e) is outstanding and contains PowerPoint presentations, quizzes, videos etc. Web-sites such as www.investopedia.com and www.fool.com have superb tutorial material which is well-worth downloading.

Other sources:

Wall Street Journal, Financial Times, Expansión, Cinco Días

Students will be expected to be able to use financial calculators and the Hewlett Packard 10BII is recommended. Time will be spent familiarising students with their use.

Competencies

Ability to use a financial calculator, to undertake ratio analysis of financial statements and to be able to search for and find financial data. The ability to understand complicated financial concepts and techniques.

Learning Outcomes

Students will be able to understand the financial press and what is happening in the business world, they will have developed techniques learned in earlier courses such as the time value of money to value whole companies.

They will be able to calculate forward exchange rates and will understand the additional problems caused by globalisation and the internationalisation of business. They will have been introduced to techniques for mitigating risks of all kinds and have a basic understanding of financial engineering.

They will know how securities are issued and the effects on investors.

They will understand the importance of working capital management.

Continuous Assessment

REQUIREMENTS, EXPECTATIONS, AND ASSESSMENT

I expect you to treat this course like you would a job. As the manager of this class, I assume that the people I am working with are good, hard-working and intelligent people who are capable of meeting the requirements of this job.

Additionally, I have several expectations of the people who are working with me. Specifically I expect you to:

- **Attend class.**
It is imperative that you are here. This course is only effective if everyone participates actively.

Sick and personal days policy. A student may miss two classes without penalty. Consider these absences to be equal to an organization's sick and personal day policies. It is your obligation to contact the professor with information regarding your absence. Additional absences have harsh consequences.

A third absence (excused and/or unexcused) will result in a deduction of 20 points from your course total grade.

If you have more than three absences (excused and/or unexcused) for the semester, be prepared to earn a failing final grade for the course.

You CANNOT miss class when you are scheduled to give a presentation or take an exam.

I will handle special attendance situations with students on an individual basis as necessary.

Procedure for an excused absence. First, contact the professor via e-mail prior to the class you will miss. Second, document the reason for absence (note from Doctor...). Third, it is your responsibility to keep up with everything done in class and to come prepared with the assigned tasks for the next session.

Perfect attendance will be rewarded. Most organizations will reward workers with compensation for unused sick and personal days. Therefore, students with perfect attendance will earn 10 extra points. Note: an excused absence is still considered an absence.

- **Be punctual.**
Come to class ON TIME. No excuses are allowed. Late arrivals disrupt the flow of the class. In addition, tardiness at work would not be tolerated. Anyone who arrives 5 minutes later than the starting time scheduled, won't be allowed to enter the class.
- **Participate.**
Class participation is a must for the grade. Therefore, it is important that students come to class with the readings, exercises, activities or other stuff prepared, willing to interact and discuss them meaningfully. Some stuff will be based on home prepared materials and other stuff on brainstorming and in class activities. You will be assessed on the quality of your comments, the feedback provided to your colleagues and the way you do it.
- **Be prepared for every class.**
I expect you to come to class with the readings, take-home exercises, activities and assignments prepared in advance of the class devoted to them.
- **Meet deadlines.**
Meet due dates. Failure to do so will result in a reduction of your final grade. This is the policy for ALL assignments, exercises, presentations, activities. Each late stuff submission will reduce 10 points from your course final grade.
- **Demonstrate academic integrity in all of your work.**

If you are caught cheating in any form on exams, plagiarizing or rehashing in exercises, activities, assignments, presentations or handing in work you did not do, be prepared to receive a failing final grade for the course.

Be sure your work is your own. You are responsible for citing all sources on which you rely, using quotation marks when language is taken directly from others' work, and knowing how to use your own language to paraphrase a source (hint: changing a few words is not sufficient). If you cite a direct quote, you must provide a reference with a page number for the citation.
- **Comply with the Coursework policy.**
Coursework consists of:

Take-home & in class exercises (Portfolio)
Take-home & in class activities
Assignments (Portfolio)
Readings
- **Sit the Exam and hand in the exercises portfolio.**
In most organizations, employees are required to submit reports or other documents, which will prove in a way their competence to be promoted. Likewise, students to have the chance to be promoted with this subject, it is mandatory that they sit the exam and hand in the portfolio. Failure of not doing both things, means no promotion at all.
- **Follow the Cell phones & Laptops policy.**

Cell-phones are off limits during class: no calls –no text messaging- no emailing. Please, turn them off. No cell-phones are allowed on the table to check the time. Your professor will inform you when it is the time to finish the class.

If you have an emergency situation that requires you to be contacted quickly during class time, let your professor know at the beginning of class and an exception may be made if the professor considers so.

Laptops. The use of laptops is only allowed under the professor's permission and with the only purpose of taking notes. In case, the professor has the feeling they are used for other purposes; they will be strongly forbidden and the student will have to leave the class. That will mean an absence.

Those students allowed to use a laptop will have to show the professor the notes taken with it at the end of each class. Moreover, they will have to sit at the front of the class.

EVALUATION

The Course grade will be based on the following point breakdown:

30% Exercise preparation, quality participation, attitude, daily in & out-of-class effort, rich feedback provided & proof of exercises and readings assigned.

30% Midterm Exam

40% Final Exam

Agenda Sessions and Course Syllabus

AGENDA FOR THE SESSIONS: Below you can find a tentative schedule, subject to change if needed. I believe that activity and reflection are important parts of the learning process. Therefore, every single session you will be provided with readings, take-home exercises or activities or an assignment for the following session.

Week 1	Present Value & Future Value APR and EAR & Real and Nominal Interest Rates
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Week 2	Annuities without growth Annuities with growth
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Week 3	Perpetuities without growth Perpetuities with growth
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Week 4	Fixed Income Securities Zero-Coupon Bonds & Coupon Bonds
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Week 5	Forward Rates Duration, Modified Duration & Convexity
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Week 6	Common Stock Valuation Approaches
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Week 7	Other Definitions & Ratios Growth Opportunities & Stocks
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Week 8	Forwards & Futures Spot-Future Parity & Contango & Backwardation
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Week 9	Review for Midterm Exam
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Week 10	Midterm Exam
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Week 11	Options & Payoffs Put-Call Parity & Option Pricing
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Week 12	Portfolio Theory & Special Cases Other Formulas & Properties
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Week 13	Market Portfolio Expected Portfolio Return
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Week 14	CAPM CAPM-APT
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Week 15	Capital Budgeting I Project Evaluation & Other Methods
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Week 16

Review for Final Exam

Week 17

Final Exam

Observations

Professor: Dr. Cristian Lucas-Mas

Email: lucasmass@post.harvard.edu (It is the easiest way to contact me).

Office Hours: By appointment.

Class Meeting Time: Mondays through Wednesdays 8.00 am – 9.20 am.

About Dr. Cristian Lucas-Mas:

PhD in Tax Law and Public Finance, economist, political scientist and attorney-at-law licensed to practice in Spain and New York. He has been awarded the First National Prize of Law by the Spanish Government.

He holds the Master of Laws (LLM), the Master in Public Administration (MPA) and the International Tax Program (ITP) of the U.N., all of them from Harvard University. Also, he has graduated from the Master of Business Administration (MBA) and the Entrepreneurship and Innovation Program (E&I) from MIT Sloan School of Management.

He has taught at Harvard University, University of Barcelona, E.A.E. Catalonian Polytechnic University and European University; moreover, he has published extensively and has practiced law at Cuatrecasas, where he specialized in international tax planning.

He holds both the Piano and the Saxophone Professor Degrees from the Conservatory of Music of the Lyceum of Barcelona, he is a Black Belt in Taekwondo, and practices Olympic Shooting. He has travelled over 50 countries, including Everest Base Camp, and he loves rollerblading as much as going to the movies.

Welcome to Corporate Finance!

Best wishes for an enjoyable and successful semester!!