Course Title: Corporate Finance II

Course Requirements: Corporate Finance I, Financial Accounting

Person responsible for the course syllabus and documents: dr hab. Joanna Wyrobek, prof. UEK

Course topics (workshops and lectures):

1) Operational budgeting
2) Sources of finance
3) Gearing and capital structure
4) The cost of capital
5) Capital structure theories
6) Dividend Policy
7) Market Efficiency
8) Business Valuation
9) Time reserve: Elements of behavioral finance in corporate finance
10) Time reserve: Spectral analysis

Lectures present theoretical aspects of the problems, the workshops provide exercises for the students to be able to use the knowledge presented during lectures.

Course literature:

BPP Financial Management Practice and Revision Kit Feb 1, 2016

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Damodaran A., Damodaran on Valuation, Wiley Finance, any edition.

Damodaran A., Applied Corporate Finance, Wiley, any edition.

Any other relevant textbook or workbook.

Grading:

final grade = 50% * grade from the quiz (written at the end of the workshops) + 50% * grade from the exam (written at the end of the lectures) + additional corrections for class participation and attendance

Topics to be prepared for the exam (theory and exercises from lectures and workshops):

1) Advantages and disadvantages of using bonds, when this method of financing should be used
2) Advantages and disadvantages of using equity finance, when this method of financing should be used
3) Advantages and disadvantages of using leasing, when this method of financing should be used
4) Advantages and disadvantages of using overdrafts, when this method of financing should be used
5) Advantages and disadvantages of using rights issues, when this method of financing should be used, calculations
6) Advantages and disadvantages of using short-term loans, when this method of financing should be used
7) Advantages and disadvantages of using trade-credit, when this method of financing should be used
8) Agency costs – definition and consequences in corporate finance
9) Arguments against using WACC
10) Bankruptcy costs – definition and consequences in corporate finance
11) Behavioral finance – assumptions, key features
12) Benefits of budgeting
13) Business angels – definition and characteristics of this method of financing SMEs
14) Business Valuation Methods
15) Calculation of repayments of a loan
16) CAPM and MM combined – geared betas, Hamada's equation
17) Charting of technical analysis – assumptions, key features
18) Choice of valuation bases for business valuation.
19) Comparison between overdrafts and short-term loans
20) Conventional and non-conventional bonds
21) Convertible bonds – characteristics, calculations and application
22) Cost of convertible debt
23) Cost of equity – Gordon dividend model, CAPM, APT
24) Cost of floating rate debt
25) Cost of preference shares
26) Debt and interest ratios
27) Debt capital and taxation
28) Deep discount bonds – characteristics and application
29) Different types of market efficiency
30) Enterprise capital funds
31) Factors influencing the choice of debt finance
32) Features of efficient markets
33) Finance of SMEs – problems and sources of funds
34) Financial risk – definition
35) Financing redeption of long-term bonds
36) Fundamental theory of share values
37) Gearing - definition

38) Gearing ratios (financial gearing and operating gearing)
39) Implications of efficient market hypothesis for the financial managers
40) Information requirements for valuation
41) Interpretation of CAPM formulae
42) IPOs – characteristics, calculations, conditions
43) Irredeemable debt capital – calculation of its cost
44) Islamic finance
45) Length of the budget period
46) Major capital structure theories, traditional approach, net operating income approach
47) Marginal cost of capital approach
48) Market imperfections and pricing anomalies
49) Market imperfections and their impact on capital structure theories
50) Marketability and liquidity of shares
51) Master budget
52) Modigliani-Miller Theories
53) Overheads budget
54) Pecking Order Theory
55) Portfolio theory – assumptions and consequences, formulae
56) Problem of equity risk premium
57) Problems with applying CAPM in practice
58) Random walk theory – assumptions, key features
59) Reasons for seeking debt finance
60) Redeemable debt capital – calculation of its cost
61) Sale and lease-back – the structure of the transaction, advantages and disadvantages
62) Semi-strong form efficiency
63) Sources of debt finance
64) Stock splits
65) Strong form efficiency
66) Systematic and specific risk
67) Tax relief on loan interest
68) The creditor (payables) hierarchy
69) The efficient market hypothesis
70) The impact of cost of capital of the company value
71) The problem of optimal capital structure – different optimization targets
72) The process of operational budgeting (calculation of selected budgets based on provided data)
73) The role of overdraft in operating cycle
74) Using CAPM in capital budgeting
75) Valuation methods based on assets.
76) Valuation methods based on cash-flows and income.
77) Valuation methods based on market multipliers.
78) Venture Capital – characteristics and application of this method of financing
79) Weak form efficiency

80) Weighted average cost of capital – idea and calculations
81) When business valuations is required
82) Yield to maturity on bonds and simplified methods of calculating cost of bonds
83) Zero- coupon bonds – characteristics and application