

Course Outline

Corporate Finance (FIE 402) - Spring 2024

Konrad Raff

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Course Description:

The goal of this course is to teach you the principles and tools of corporate financial management. The course is built around the following three main topics:

- (i) Financial strategy: capital structure, dividend policy, issuing of securities
- (ii) Valuation and value creation: Discounted cash flow techniques, Interaction of financing and investment decisions.
- (iii) Options in corporate finance: real options, equity and debt as options, convertible debt

The first part of the course covers various theories that trade off the costs and benefits for a firm of choosing between debt and equity financing. We will come up with a framework of an optimal capital structure and payout policy. In addition, students will gain an understanding of and institutional knowledge in the area of equity and debt issues. The second part of the course will look at the interaction between capital structure and valuation. We will cover valuation techniques that incorporate financial side-effects, such as Adjusted Present Value (APV), Weighted Average Cost of Capital (WACC), and the Flow-to-Equity. The third part of the course focuses on the role of options for corporate finance. We will consider the consequences of viewing debt and equity as options. In addition, we will consider the valuation of investment projects with embedded real options. Finally, we will cover various specialized topics, including mergers & acquisitions as well as project finance.

There are no formal prerequisites for the course but students are expected to be familiar with basic finance concepts (e.g. time value of money; NPV; capital asset pricing model) typically covered in most bachelor-level finance courses.

Course Format:

- 18 Lectures and 3 Tutorial Sessions

Class Hours:

- Wednesdays, 14:15 – 16:00, Auditorium A
- Thursdays, 08:15 – 10:00, Auditorium A
- The course starts on Thursday, January 11, at 08:15. Please see the detailed schedule on the next page.
- Lectures and tutorials will be taught in person.

Open Door Policy:

Please feel welcome to contact me at any time with questions about the course. You can drop by my office (C 723). You can also reach me via email (Konrad.raff@nhh.no), Teams, Skype (Skypename: konradraff), or phone (+47 55 95 99 66). You do not need to schedule an appointment in advance.

Grading:

- To earn course approval, each student is required to earn a “pass” on two written, individual homework assignments. The homework assignments are graded on a pass/fail basis. If you earned course approval in a previous semester, you do not need to earn it again.
- The final grade will be entirely based on a three hour written school exam.

Textbook:

- Jonathan Berk and Peter DeMarzo, *Corporate Finance*, 6th Global Edition, Pearson.

L=Lecture T=Tutorial	Date	Topic	Book Chapters 6th Edition
L1	January 11	Introduction & Review of Basic Concepts	1 to 12
L2	January 17	Capital Structure	14 to 16
L3	January 18	Capital Structure	14 to 16
	January 24	No class	
L4	January 25	Capital Structure	14 to 16
L5	January 31	Capital Structure	14 to 16
L6	February 01	Payout Policy	17
T1	February 07	Tutorial Session 1	
L7	February 08	Security Issues	23
L8	February 14	Valuation	18
L9	February 15	Valuation	18
L10	February 21	Valuation	18
T2	February 22	Tutorial Session 2	
L11	February 28	Valuation	18
L12	February 29	Options	20 to 22
	March 06	No class	
L13	March 07	Options	20 to 22
L14	March 13	Options	20 to 22
L15	March 14	Options	20 to 22
	March 20	No class	
L16	March 21	Mergers and Acquisitions	28
	March 27	No class (Easter)	
	March 28	No class (Easter)	
T3	April 03	Tutorial Session 3	
L17	April 04	Project Finance	
L18	April 10	Wrap up	