

## CORPORATE FINANCE

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Code: 21739

Main Scientific Area: Finance

Lecturer: Vanda Cristina Rodrigues Roque

Language of Instruction: Portuguese

Regime: S2

Contact Hours: 20h Total Workload: 88h

ECTS: 4,0

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### **Objectives**

The purpose of this course is to provide students with knowledge to analyze and make financial decisions based on fundamental principles of financial theory.

### **Learning Outcomes**

Students should be able to take financial decisions, namely investment decisions, financing decisions and dividend decisions, as well as take into account the potential conflicts of interest in a corporation and the corporate governance mechanisms.

### **Course Contents**

Introduction  
Capital Budgeting  
Cost of Capital  
Investment evaluation and selection criteria  
Capital Structure Theories  
Dividend Policy Theories  
Corporate Governance

### **Recommended Bibliography**

Brealey, R.; Myers, S.; Allen, F., 2020, Principles of Corporate Finance, 13th edition, McGraw-Hill.

Damodaran, A., 2014, Applied Corporate Finance, 4th edition, Wiley

Hillier, D.; Ross, S.; Westerfield, R.; Jaffe, J.; Jordan, B., 2016, Corporate Finance, 3rd European Edition, McGrawHill.

### **Learning and Teaching Methods**

The 1st chapter is an introduction to corporate finance, where we look at the financial decisions a corporation needs to take, namely investment decisions, financing decisions and dividend decisions, as well as take into account the

relationship between the corporation and its stakeholders and the potential conflicts of interest and the corporate governance mechanisms. We also review some basic concepts related to the time value of money.

The 2nd chapter looks at capital budgeting: the definition and typology, basic principles and cash-flow estimation.

The 3rd chapter looks at financing decisions: the sources of capital, the cost of each source of capital, and the calculation of the Weighted Average Cost of Capital (WACC)

Next, in the 4th chapter investment evaluation and selection criteria are introduced, namely: the Net Present Value (NPV), the internal rate of return (IRR), the Profitability Index (PI); and the Payback Period (PP).

In the 5th chapter we review the capital structure theory and how a corporation chooses the optimal mix of equity and debt financing.

In the 6th chapter we review dividend policy theories in order to understand why and in what ways corporations choose to pay out earnings to shareholders.

Finally, in the 7th chapter we look at potential conflicts of interest that create the need for corporate governance mechanisms.

### **Assessment Methods**

System of continuous evaluation:

Classroom assessment: Active problem solving: 15%

Evaluation test: 85%

System of evaluation by exam:

Evaluation test: 100%