CORPORATE FINANCE

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

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
Investment evaluation and selection criteria
Cost of Capital
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, 4thedition, Wiley

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

Learning and Teaching Methods

The 1stchapter is an introduction to corporate finance, where we look at thefinancial 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 2ndchapter looks looks at capital budgeting:the definition and typology,basic principles andcash-flow estimation.

In the 3rdchapterinvestment evaluation and selection criteria are introduced, namely: theNet Present Value (NPV), the internal rate of return (IRR), theProfitability Index(PI); and thePayback Period (PP).

The 4th chapter looks at financing decisions: the sources of capital, the cost of each source of capital, and the calculation of theWeighted Average Cost of Capital (WACC)

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%
Essay presentation: 15%
Evaluation test: 70%

System of evaluation by exam:
Evaluation test: 100%