
Corporate Finance

Professor: Javier Gómez Biscarri

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Office hours: by appointment

Course Description

Corporate Finance addresses the two main decisions in the financial management of the company: investment decisions, regarding how to use company resources for productive projects, and financing decisions, which focus on obtaining the necessary resources so that investments can be carried out. This course is intended as an introduction to the analysis of both types of decisions and how they should be directed at achieving the main objective of the CFO: increasing shareholder value.

Objectives

The main objectives of the course are:

- 1) To introduce the objectives of financial management within the corporation.
- 2) To review the way in which financial management achieves these objectives, with special emphasis on decision-making implications: CFOs must be ready to give sharp answers to the main questions regarding investment of the company's resources and how those resources should be obtained.
- 3) To lay the foundation for future specialized courses on financing and entrepreneurship.

Methodology

There will be 20 one and half-hour lectures where we will discuss the concepts and methodologies of investment and financing analysis. These sessions are based on the material covered in the recommended textbook (see the course outline below for correspondence between the textbook and the topics discussed) but the professor will focus on specific topics and cover some additional support material. Class slides will be available in Campus Global, although the lectures may not follow the slides literally. Some of the lectures will be devoted to in-class analysis of more complete cases, where student participation is especially encouraged.

There will be 10 seminar classes where students will solve exercises based on the material covered in the theory sessions. These seminars should help review the main concepts covered in class and prepare for the final exam. Some (but not all) of these seminars will have assignments that have to be turned in and will be graded.

Evaluation criteria

To pass the course, you must earn at least 50 points out of 100, according to the following distribution:

Midterm exam: 30 points.

Final exam: 60 points (a minimum of 25 is required to pass the course). If the student gets a higher grade in the final than in the midterm, the midterm grade will be discarded.

Problem sets: 10 points.

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

As with all courses taught at the UPF BSM, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. Students that pass any Retake exam should get a **5 by default as a final grade for the course**. If the course is again failed after the retake, students will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the “Retake” period). In the meantime, the student will get an “incomplete”, which will be replaced by the actual grade after the final exam is taken. The “incomplete” will not be reflected on the student’s Academic Transcript.

Plagiarism is to use another’s work and to present it as one’s own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the “Honor Code,” students acknowledge that they understand the schools’ policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program.”

Calendar and Contents

Session	Content	Chapters	Week
The basics of financial analysis			
Sept 20 (14:45)	Introduction	1	0
Sept 25 (18:15)	The Financial Statements as a source of information	2	1
Sept 28 (16:00)	The time value of money and basic concepts of asset valuation	3, 4, 6	1
Investment decisions: decision criteria, cash flows and the cost of capital			
Oct 1 (14:45)	The main criteria for selection of investment projects: accounting return, payback, NPV, IRR	7	2
Oct 2 (18:15)	The capital budget (I): project cash-flows	8	2
Oct 8 (14:45)	The capital budget (II): adjustments to the cash-flow and project analysis	8	3
Oct 9 (18:15)	An application: buying stocks as an investment	9	3
Oct 15 (14:45)	Analysis of risk and its impact on investment decisions	10, 11	4
Oct 16 (18:15)	The cost of capital	12	4
Oct 22 (14:45)	Case discussion: a complete investment case		5
Oct 23 (18:15)	Midterm exam		5

Oct 29 (14:45)	Analysis of complex decisions (I)	22	6
Oct 30 (14:45)	Analysis of complex decisions (II)	22	6
Nov 5 (14:45)	Case discussion: an investment case with linked contracts		7
Financing decisions: capital structure, financing alternatives and dividend policy			
Nov 6 (14:45)	Capital structure (I)	14-16	7
Nov 12 (14:45)	Capital structure (II)	14-16	8
Nov 13 (14:45)	Capital structure (III)	14-16	8
Nov 19 (14:45)	Debt	24	9
Nov 20 (14:45)	Equity and dividend policy	17, 23	9
Nov 27 (14:45)	Summary, questions, etc.		10
FINAL EXAM (DATE TBA)			

Practice sessions will be conveniently announced.

Reading Materials/ Bibliography/Resources

Textbook

BERK, J.; DEMARZO, P. Corporate Finance. 3rd ed. Pearson (BdM).

Class slides provided by professor

Bio of Professor

Prof. Gómez Biscarri holds an M.A. in Economics and a Ph.D. in Business Economics from UCLA. He is associate professor of accounting and finance at Universitat Pompeu Fabra, the Barcelona Graduate School of Economics and the Barcelona School of Management. He is also a part-time professor of IESE Business School and Deusto Business School. His current research focuses on the impact of accounting on the banking sector, specifically on earnings management behavior and on the effect of new accounting regulations on bank's strategies.