

Advanced Corporate Finance

Subject Area	Finance
Lecturer	Raman Uppal

Aims and Objectives

The main aim of this course is to enable you to *apply* the theoretical concepts in finance, covered in the basic finance courses, to problems in the area of corporate finance with all the complexities that the real world entails.

Through cases and discussion of topical issues, the course will give you the opportunity to analyse practical financial situations and problems, on the assumption that you are already familiar with fundamental ideas from previous finance courses (valuation, portfolio selection, CAPM, capital structure, option pricing).

We will use the cases also to motivate our discussion of the *gap* between rigorous finance theory and its application to practical problems in corporate finance, and the *thought-process* required when faced with this gap.

Topics Covered

The course content can be divided into **two** parts: the first focusing on *valuation* and the second on *financial decisions*. The topics that are typically covered are:

A. The **valuation** topics considered in the cases include:

- Valuation of companies using multiples and cashflow analysis;
- Valuation using real options;
- Valuation of cross-border projects with currency and country risk;
- Valuation in the context of takeover battles;
- Valuation of new ventures;
- Valuation of joint ventures;
- Valuation of securities such as convertibles, warrants, preferred equity-redemption cumulative stocks, and spot-deferred contracts.

B. The **financial decisions** considered in the course include:

- Choice of capital structure;
- Choice of debt structure;
- Structuring of project finance;
- Choice of dividend policy;
- Issuance of equity, preferred shares and IPOs;
- Rights issues and the repurchase of shares;
- Exchange offers and reverse takeovers;
- Use of derivatives in capital structure, dividend policy, and takeover contests.

The companies that we will analyse in the cases are drawn from the following sectors: movie, cable television, information and communications, telecom infrastructure, health and beauty products, biotechnology, pharmaceutical, and oil. In addition to the firms analysed in the cases, we will also discuss firms that feature in the business press during the term.

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Target audience

The course is ideally suited for those who wish to obtain a deeper understanding of the theory underlying corporate finance in order to apply it sensibly to practical situations. The course is targeted at those pursuing careers in consulting, in financial institutions and investment banking, and for those working, or planning to work, in corporations, especially in the finance, planning, and treasury areas.

Format and Teaching Methods

Each week we will generally spend about half the class on a case and the rest on a discussion of advanced finance theory. The discussion will focus not just on quantitative issues but also on the application of rigorous theory to complex situations and on the interaction between corporate strategy and corporate finance.

Pre-requisites

Corporate Finance and Finance II. This course will not cover material already covered in these classes.

This is a challenging course that demands a fair amount of work on a *regular* basis, and the teaching style requires *active* participation in class discussions; thus, the second prerequisite is that you make the commitment to be well prepared for class and to participate vigorously.

Assignments & Assessments

- Class participation (10%)
- Short case write-ups (10%)
- Detailed case write-ups (40%)
- Final exam (40%)