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## CORPORATE FINANCE

**Course Number:** FINC 3014, Corporate Finance  
**Semester:** Autumn, 2016/2017  
**Instructor:** Simon Miloseski / Edi Smokvarski  
**Credits:** 4 credit hours/ 8 ECTS  
**Contact hours:** 60 hours  
**Learning hours:** 200 hours  
**Class Hours:** Wed 16:00  
**Meeting hours:** Thu 12:00, before class or by appointment  
**Prerequisites:** Microeconomics, Statistics, Principles of Accounting

### Required Text:

1. Brealey, R., Myers, S., Marcus, A. (2009), *Fundamentals of Corporate Finance*, 6<sup>th</sup>ed., McGraw-Hill/Irwin.
2. Course slides and lecture notes.
3. Case studies.

### Additional reading:

1. Berk, J., DeMarzo, P., (2008), *Corporate Finance*, Pearson Education.
2. Brealey, R., Myers, S., Allan, F. (2013), *Principles of Corporate Finance*, 11<sup>th</sup> Global ed. , McGraw-Hill/Irwin.

### Course description:

This course examines important issues in corporate finance from the perspective of managers that are responsible for making significant investment and financing decisions. The concept of net present value, uncertainty, and strategic concerns, is used to analyze how investment and financing decisions interact to affect the value of the firm. The course covers topics that are important to decision-making in marketing, operations management, and corporate strategy. A large portion of the course covers capital budgeting, first without uncertainty, and then in the presence of uncertainty. The course also includes a treatment of debt and dividend policy and capital market efficiency, as they relate to the value-maximization objective of the firm.

The lectures will be divided in two parts. First part is the development of theoretical concepts and second is practical application and relation of those problems to various business issues. Emphasis will be given on the development of problem-solving skills based on a good understanding of the business environment as opposed to pure theorizing or mindless numbers exercises. Because of the practical importance of the material and as an illustration of the relevant theory, we will discuss examples and cases.

### **Learning objectives:**

- describe modern principles of corporate finance and evaluate their validity;
- rationalise corporate finance decisions in the light of agency problems and conflict of interest among corporations' stakeholders;
- analyse firms' investment decisions;
- discuss firms' choice of capital structure and its implications for the value of the firm;
- examine and discuss the key issues related to debt and dividend policy and their implications for the value of the firm;

### **Learning outcomes:**

Following this course the students should have comprehension of:

- The role of the financial manager
- The main goal of the corporation
- Time value of money
- Characteristics and valuation of basic securities
- Investment criteria and their usage in making decisions
- The connection between risk, return and cost of capital
- Corporate finance policy
- Debt and dividend policy

### **Course delivery:**

Each class will consist of delivery of a specific topic, followed by in depth discussion. There will be special classes devoted to applying methods and concepts to problem of various kinds. The course will end with a comprehensive case study where students will get the chance to apply techniques discussed throughout the course.

### **Instructor's expectations from students:**

- Attend class regularly and prepare the chapters before coming to class.
- Contribute to the interactive classes.
- Closely follow the course schedule for home reading.
- Think critically on the issues presented in the classroom.
- Avoid anti-social behavior in College and anti-academic behavior in the classroom (i.e. plagiarism, cheating, etc.)
- Try to interconnect the material taught on related subjects, etc.
- Relate the course material with real-life problems.
- Impose a self – discipline regarding Colleges rules and procedures.

### **Examinations structure:**

- *Class attendance and participation:* Preparation and active participation by students is required. Absence from classes and/or non-participation will be considered as negative aspect. Total 10%.
- *Case Studies:* There will be two case studies related to problems discussed in class. Each case brings 15% to the total grade. Due dates for the cases will be announced during class. Total 30%.
- *Midterm and final exams* – Two exams each bearing 30%. Total 60%.

### Detailed schedule

<b>Week</b>	<b>Date</b>	<b>Lecture</b>	<b>Chapter</b>
Week 1		Introduction to the course	Syllabus
Week 1		Goals and Governance of the Firm Brief Introduction to Financial Markets and Institutions	BMM (Chapter 1 and Chapter 2)
Week 2		Accounting vs Finance	BMM (Chapter 3)
Week 2		The Time Value of Money	BMM (Chapter 5)
Week 3		Net Present Value and Other Investment Criteria	BMM (Chapter 8)
Week 3		Tutorials	Problem sets
Week 4		Using Discounted Cash-Flow Analysis to Make Investment Decisions	BMM (Chapter 9)
Week 4		Tutorials	Problem sets
Week 5		Project Analysis	BMM (Chapter 10)
Week 5		Tutorials	Problem sets
Week 6		Case Study 1	TBA
Week 6		Preparation for MIDTERM EXAM	
<b>Week 7</b>		<b>MIDTERM</b>	<b>MIDTERM</b>
Week 8		Introduction to Risk, Return and the Opportunity Cost of Capital	BMM (Chapter 11)
Week 8		Tutorials	Problem sets
Week 9		Risk, Return and Capital Budgeting	BMM (Chapter 12)
Week 9		Tutorials	Problem sets
Week 10		The Weighted-Average Cost of Capital and Company Valuation	BMM (Chapter 13)
Week 10		Tutorials	Problem sets
Week 11		Valuing Bonds	BMM (Chapter 6)
Week 11		Tutorials	Problem sets
Week 12		Valuing Stocks	BMM (Chapter 7)
Week 12		Tutorials	Problem sets
Week 13		Introduction to Corporate Financing Debt Policy	BMM (Chapter 14 and Chapter 16)
Week 13		Payout Policy	BMM (Chapter 17)
Week 14		Case Study 2	TBA
Week 14		Preparation for FINAL EXAM	Problem Sets
<b>Week 15</b>		<b>READING WEEK</b>	<b>READING WEEK</b>
<b>Week 16</b>		<b>FINAL WEEK</b>	<b>FINAL WEEK</b>

### CPC Coverage in terms of hours

- 1) Functional area
  - A Marketing – 0 hour
  - B Business finance – 24 hours
  - C Accounting – 6 hours
  - D Management – 4 hours
- 2) The Business environment
  - A) Legal environment of Business – 2 hours
  - B) Economics – 10 hours
  - C) Business ethics – 2 hour
  - D) Global dimensions of Business – 0 hours
- 3) Technical skills
  - A) MIS/IT computing – 0 hour
  - B) Statistics/Quantitative techniques – 12 hours
- 4) Integrative areas
  - A) Business policy – 0 hours
  - B) Internship – 0 hours

### Assessment:

**Mobile phones are strictly not tolerated in the class for any use (including computations).** Active participation is meant as the effort and the interest that a student shows in the class, including homework.

After each session students are expected to study all the relevant material, read all the associated exercises, prepare assignment for the next class (if given), identify the difficult points and pose their questions in the next session either directly to me or in the class.

### **Make-up tests are given in exceptional circumstances.**

Cheating and plagiarism in any form will result immediately in the grade F. I assign a grade of (incomplete) only when a student misses the Final exam due to a **College-excused absence**, and is unable to make up before final grades are due to the Record's Office. Please, consider seriously that there will be no exceptions concerning the above policy.

### Grading Criteria

Grading points	%	Quality
A	96-100	4.00
A-	90-95	3.67
B+	87-89	3.33
B	83-86	3.00
B-	80-82	2.67
C+	77-79	2.33
C	73-76	2.00
C-	70-72	1.67
D+	67-69	1.33
D	63-66	1.00
D-	60-62	0.67

**Class Conduct:** You are responsible for everything that is announced, presented or discussed in class. The way to avoid any misunderstanding associated with this course is to attend class. You are expected to attend class and I do keep attendance records. **The class starts promptly at the scheduled time.** I find late arrivals distracting, which cause a decline in the quality of my lecture.

Importantly, it is also disruptive to your colleagues. I accept students **only up to five minutes late for the first class in a day.** Please, refrain from talking during class, it is disruptive to your colleagues and the lecture. I expect the best behavior from all of you. This is what education is all about. If you have a question about the material, please don't hesitate to ask me; answering questions is part of my job. If you are lost or confused, your question may help clarify the topic. Please, consider that **the language of instruction is English, so all our conversation into the class must be in this language.**

Class participation and an active intellectual engagement are not only expected but required. Students will deliver their class presentations on the discussion topics. As a final examination students will complete a comprehensive written test. The written test will discuss the material covered in the course readings, reading questions and case studies.

**Keep in mind the following:**

C- or better is required to use a course either as a prerequisite or as a major requirement.

G.P.A. (Grade Point Average): is computed for each student using the quality points earned for each course taken. A G.P.A of at least 2.0 is required for transfer and to graduate from ACS.

I wish you an interesting and creative academic semester.

**Academic Honesty**

The American College Skopje has its personal integrity which is presumed to be sufficient assurance in academic matters one's work is performed honestly and without unauthorized assistance. Undergraduate students, by registration, acknowledge the jurisdiction of the Honour System.

Plagiarism and cheating are serious offences and may be punished by failure on the exam, paper or project; failure in the course; and/or expulsion from the faculty. Individuals are prohibited from selling or being paid for taking notes in any form (written, electronic, or otherwise) during this course to or by any person or commercial firm without the express written permission of the professor teaching this course.

**Late Work:**

Many reasons are given for late work (e.g., flat tires, printer problems, illness, oversleeping, etc.). No matter what the reason, the bottom line is that either (a) the work was completed and turned in when required or (b) the assignment was not completed and turned in when required.

As specified earlier, assignments are due in class at the beginning of class on the specified due date. There is NO PROVISION for late work on any assignment (i.e., late work is not accepted). I also strongly recommend having backup systems in place so that you can have all work completed on schedule. Having your work completed on schedule is a key to early success in your business career.

NOTE: Late submissions are not accepted. Partial credit will NOT be given for late work.