

Prof. Dr. Reinhard Rupp

Office hours: [LSF](#)

Email: [reinhard.rupp@hs-pforzheim.de](mailto:reinhard.rupp@hs-pforzheim.de)

## **Advanced Corporate Finance (FIN6031)**

### **Syllabus**

#### **Winter Term 2018/2019**

<b>Weekly hours:</b>	2 (45 minutes)
<b>ECTS-Credits:</b>	3
<b>Workload:</b>	90 hours, 30 hours within class and 60 hours for self-study
<b>Time:</b>	<a href="#">LSF</a>
<b>Begin:</b>	<a href="#">LSF</a>
<b>Level:</b>	Advanced

**Prerequisites:** It is based on a business undergraduate degree, primarily on the topics of math, statistics, investment and finance,

#### **Learning Objectives:**

By the end of the course students

- have a general overview about the goals and main areas of Corporate Finance and understand the effect of regulatory, legal and market systems on corporate objectives and decision making.
- are able to analyze the financial situation and performance of a company and assess the character of the cash conversion cycle with regard to the individual capital structure.
- do know how to analyze returns, interest rate, risk and the cost of capital.
- have an in-depth understanding of long-term financing via equity and debts.
- understand special topics in Corporate Finance and structured finance like mergers & acquisitions and international corporate finance.
- use the appropriate English technical terminology related to Corporate Finance.
- have an understanding of the market environment in which finance decisions have to be made.

## Course contributions to master programs' common learning goals:

Program Goal/ Learning Outcome	Program Subgoal	Course Contribution
I. Knowledge dissemination and deepening in terms of theoretical concepts and practical applications in controlling, finance and accounting.		
	1. MACFA master graduates are familiar with models, concepts, standards and applications of controlling, finance and accounting beyond the acquired knowledge in their bachelor studies.	Students will be familiar with the goals, concepts and mechanics of Corporate Finance (vs. Accounting) and understand the interrelations to the financial markets.
	2. They are able to identify, assess and critically examine the relevancy of approaches to answer theoretical or practical questions and tasks in the fields of controlling, finance and accounting.	Students are able to identify appropriate approaches for specific financial situations and problems of a company to assess them with regard to their relevance and examine them critically.
	3. They can define theoretical/practical tasks/research questions in the aforementioned fields, formulate clear work objectives and structure the solution process to achieve the objectives.	-
II. Systemic, analytical and instrumental/conceptual skills for solving theoretical and/or practical tasks in controlling, finance and accounting.		
	1. MACFA – Master graduates are able to pervade the complexity of scientific and/or practical assignments in controlling, finance and accounting using relevant models and concepts in accordance with predetermined norms,	Students are able to understand complex practical problems in Corporate Finance and are able to apply appropriate standard models and concepts.
	2. ... analyze these by means of scientifically sound methods	Students are able to analyse complex situations in Corporate Finance using scientifically well-founded methods.
	3. ... and based on the analysis of the results, develop independent, creative, reflected recommendations/ results/ answers to specific research questions and complex practical tasks, which are justified through empirical and/or theoretical evidence.	Students are able to develop own results, recommendations and answers to complex practical problems esp. in the area of Structured Finance and Financial Distress.
III. Communicative and social skills to persuade others of designed solution proposals.		
	1. MACFA master graduates are able to convey independently developed solutions to third parties in a clear, concise and stylistically appropriate manner	Students are able to impart and communicate their results via group discussions.
	2. ... take formal specifications for scientific solutions into account	-
	3. ... argue in a convincing manner, whereby they present their solutions in a understandable, differentiated and sufficiently documented manner.	Students will have on voluntary basis the possibility to present and debate problems and cases in the area of Corporate Finance.

## Outline of the course

The course will cover the following 7 areas of Corporate Finance:

## Content (Overview)

### Introduction to the lecture

#### I. Financial Analysis

- Cash vs. Earnings
- Financial Ratios
- Time value of money/**Valuation Tools**

#### II. Financial Markets

- Structure of the Finance System
- Regulated and unregulated Markets
- Goals and principles of BASEL

#### III. Financial Management/Treasury

- House of Finance
- Group Financing
- *Visit Treasury Department HeidelbergCement*

#### IV. Equity Financing

- Equity Valuation
- Private Equity and Stock Markets
- Case Study: IPO

#### V. Debt Financing

- Debt Valuation
- Bond Markets/Private Placements

#### VI. Structured Finance

- Mergers & Acquisitions
- Case Study: LBO

#### VII. International Corporate Finance

- Interest Rate and Purchasing Power Parity
- Exchange Rate Risk/Hedging

We will look on these topics with the view and the goals of a finance manager and we discuss the appropriate role and organization of the finance function. We will develop an understanding of the criteria for the necessary decisions and also for the relevant regulatory framework and market environment. In this context we will analyze the financial situation of companies and learn how to do financial planning.

### Teaching and Learning Approach:

The lecture is part of the Master's programme and addresses advanced topics, therefore basic knowledge is required. This applies in particular to accounting and basic knowledge in the field of investment and financing (Bachelor level) The advanced approach of the lecture aims above all at practice-oriented topics

The course is organized as a lecture, but throughout the course special emphasis is put on discussion and interaction with the students as well as exercises and case studies. Using key questions, examples and exercises shall help the students to understand the learning material in a varied and application-oriented way. Each of the 7 thematic blocks begins with the learning objectives as well as specific literature references and ends with review questions.

Case studies will be done with Excel, small examples also using a financial calculator (HP 12c). A collection of tasks with solutions is provided (see: Valuation Tools)

A regular view and short discussion of developments in the financial markets will give students and understanding of the market environment in which Corporate Finance has to act.

Active participation during class and rework is a crucial part of the teaching and learning concept and a good preparation for the final examination at the end of the semester.

Therefore, students will receive the opportunity for an “Active Contribution” to the course, i.e. a short presentation (10 min.) covering a given subject. There will be a grade for the presentation which will – only as a bonus – have an impact on the final grade.

**Grading:**

The grading will be based upon a 90 minutes written exam at the end of the semester. The exam is a combined course assessment of the courses Advanced Corporate Finance and “Kapitalmarkttheorie und Portfoliomanagement” (FIN6032). To pass, 50% of the points have to be reached. The grade of an active contribution will be regarded as bonus (see Teaching and Learning Approach)

## Course Material:

As main international standard textbooks will be used

**Hillier/Ross/Westerfield/Jaffe/Jordan: Corporate Finance, 3rd European Edition 2016**

**Vernimmen/Quiry/Dalocchio/Le Fur/Salvi: Corporate Finance, 5<sup>th</sup> Edition 2018**

For a comfortable and sufficient preparation the following eBooks can be used. Special literature references are given for the individual subject blocks

Christophe Thibierge, Andrew Beresford (2015)

**A Practical Guide to Corporate Finance** : Breaking the Financial Ice

<http://dx.doi.org/10.1057/9781137492548>

Mark K. Pyles (2014)

**Applied Corporate Finance** : Questions, Problems and Making Decisions in the Real World

<http://dx.doi.org/10.1057/9781137492548>

Angelo Corelli (2016);

**Analytical Corporate Finance**

<http://dx.doi.org/10.1007/978-3-319-39549-4>

Additional material to specific issues and case studies will be provided via the E-Learning platform (Moodle)

Other international standard books for Corporate Finance are:

Berk/DeMarzo/Harford: Fundamentals of Corporate Finance, Global Edition

Brealey/Myers/Allen: Principles of Corporate Finance

## Availability of the lecturer:

Prof. Dr. Reinhard Rupp

Office: W2.4.11

Office hours: [LSF](#)

Email: [reinhard.rupp@hs-pforzheim.de](mailto:reinhard.rupp@hs-pforzheim.de)

I do care about your learning. Therefore, do not hesitate to contact me if you have any questions/problems with your learning or with the course. The longer you wait the fewer options I will have to help you.

## Motivation for Studying Corporate Finance and Background:

At all times, Corporate **Finance** has been the **heart of all business activities**: All functions of a company are linked to finance, and existence, survival and growth of a company is very much dependent on its finance constitution and possibilities.

Nevertheless, since about 10 years the view and understanding of Corporate Finance has changed significantly due to different factors:

- The **Global Financial Crisis** starting in 2007 and the reaction of the financial institutions had lead in many companies to an unexpected shortfall in financial resources. In consequence, Corporate Finance has become a paramount issue. The often used phrase “**Cash is king**” may illustrate this factor.
- As a reaction - initiated but not fully explained by central banks policies - **historical low interest rates** are the case, influencing and challenging the traditional way of thinking about the price of money.
- Financial institutions and banks are in a fundamental change. The phrase of Bill Gates - “**Banking is necessary, banks are not**” – illustrates that, and gives the headline of new business models in the area of financing, called Fintechs.
- In addition to these changes via technology, the banking sector is under enormous pressure due to **strong financial regulations**. Therefore, the traditional bank loan is losing importance and it also leads to a further growth of the so-called **Shadow Bank Sector**.
- The “**Digital Transformation**” takes also place inside and between the companies, and leads to a change in the way cash flows are organized and managed. The term “**Financial Supply Chain Management**” stands for this development.

All these factors do also have an impact on the theory of Corporate Finance esp. the assumption of rational financial markets, and the rationality of the market players are under doubt. **Behavioral Finance** brings psychology-based theories more and more up for discussion.

**To summarize: Corporate Finance and acting in the world of Corporate Finance has never been more exciting than nowadays!**

## **Main Course Topics and Indicative Schedule:**

<b>Introduction</b>	<i>08 October 2018</i>
<b>I Financial Analysis</b>	<i>15 October 2018</i> <i>22 October 2018</i>
<b>II Financial Markets</b>	<i>29 October 2018</i> <i>05 November 2018</i>
<b>III. Financial Management</b>	<i>12 November 2018</i>
Visit Treasury Department HeidelbergCement	<i>17 December 2018</i>
<b>IV. Equity Financing</b>	<i>19 November 2018</i> <i>26 November 2018</i>
<b>V. Debt Financing</b>	<i>03 December 2018</i> <i>10 December 2018</i>
<b>VI Structured Finance</b>	<i>07 January 2019</i>
<b>VII International Corporate Finance</b>	<i>14 January 2019</i> <i>21 January 2019</i>