

Finance 2

Subject Area	Finance
Lecturers	Vito Gala, Francisco Gomes, Mike Chernov
Course Code	E197
Term	AUT06 / SPR07/SUM07
Credit Value	1

Aims and Objectives

Finance 2 forms the second part of a two-course sequence covering corporate finance (together with the core Corporate Finance course). While the focus of your core Corporate Finance was on valuing projects and companies, Finance 2 switches the emphasis to financing decisions.

While not a core course as such, Finance 2 covers key areas of finance with which all MBAs, EMBA's and Sloan Masters programme participants should be familiar. The course is thus a pre-requisite for virtually all finance electives.

Topics Covered

The aim of this course is to provide a broad conceptual and practical platform for analysing issues in corporate finance.

Finance 2 examines the financing activities of firms, how firms raise capital and the implications of various financial decisions. In particular, we will examine equity issues, dividend policy, corporate debt, and hybrid forms of financing such as convertibles and warrants.

Finance 2 provides an introduction to a key topic in finance, namely options. Options are pervasive in corporate strategy and finance. We will look at techniques for pricing options, which then will be applied to warrants and convertible bonds, as well as the insurance provided by underwriters in rights issues. We will also look at the *real options* approach to valuation of projects. Finally, we discuss how options and other derivatives such as forwards can be used in the context of hedging financial risks.

Format and teaching methods

The course will consist of lectures plus some case studies. The course textbook will be Brealey, Myers and Allen "Corporate Finance" (Latest Edition), and we will be concentrating on the second half of the book.

Modular version: two separate blocks of lectures (December and January). The content is exactly the same, since the students must be prepared to take any Finance elective. However, in addition to the much faster pace, the modular version also has much fewer case studies and examples.

Pre-requisites

Successful completion of core finance.

Assignments and Assessments

Assessment will be based on coursework, including case write-ups and a final (sit-down) exam. The exact weightings will be determined by the individual lecturers.