**Corporate Finance**

**GRADES**

Regular grading based on the overall results of final exam (120 min, 60%), and group-based presentation and project analysis (40%). 50% are sufficient to pass. The total grades will be determined based on overall results. The exam will be *closed book with an A4 paper (double-sided) of help note.*

Please note: The exam period is scheduled for the last week of each quarter.

**- SEMESTER I, 2024 -**

**LECTURER**

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**MODULE DATES**

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| **Date** | **Hours** | **Content + Activities** |
| Mon, 09.09.2024 | 3:00 | **Introduction of the course and Goal of a firm**  **Materials:** Student Copy  **Activity:** Group discussion and share your opinions on Google (shared) documents: Do you think stock market is important for corporate governance? |
| Thu, 12.09.2024 | 2:00 | **Preparation of pre-course presentation** |
| Mon, 16.09.2024 | 4:00 | **Pre-course Presentation** |
| Thu, 19.09.2024 | 3:00 | **Time value of money I – single cash flows**  **Materials:** Student Copy+ Exercise  **Activity:**  Practice questions in the exercise book Q1 to Q4  Learn to use Excel formula for single cash flows: FV, PV, NPER and RATE |
| Mon, 23.09.2024 | 3:00 | **Time value of money II – multiple cash flows**  **Materials:** Student Copy+ Exercise  **Activity:**  Practice questions in the exercise book Q5 to Q11  Learn to use Excel formula to solve complicated financial planning problems with multiple cash flows: FV, PV, NPER, RATE and PMT |
| Thu, 26.09.2024 | 3:00 | **Interest rate**  **Materials:** Student Copy + Exercise  **Activity:**  Practice questions in the exercise book  Watch a short Youtube Video about the impact of high interest rates |
| Mon, 30.09.2024 | 3:00 | **Investment decision criteria I**  **Materials:** Student Copy + Exercise + Google (shared) Excel  **Activity:**  Practice questions in the exercise book  Learn how to use IRR and NPV in Excel and understand why IRR and NPV lead to conflicting outcome for mutually exclusive projects in Excel  Lean how to use incremental IRR in Excel |
| Fri, 04.10.2024 | 4:30 | **Investment decision criteria II + Capital budgeting decision I**  **Materials:** Student Copy + Exercise + Google (shared) Excel  **Activity:**  Practice capital budgeting in Excel  Paper finance: practice capital budgeting manually in an Exam format |
| Mon, 07.10.2024 | 3:00 | **Capital budgeting decision II**  **Materials:** Student Copy + Exercise + Google (shared) Excel  **Activity:**  Demonstrate the effects of different depreciation methods  Identify break-even sales in Excel  Conduct sensitivity analysis (football field) in Excel  Students have time to work on project. |
| Fri, 11.10.2024 | 3:00 | **Stock returns I + Mid – quarter Test (TBD)**  **Materials:** Student Copy + Exercise  **Activity:**  Compute stock returns based on dividends and stock prices  Teaching assistant will collect your mid-quarter test and check your exercise book (you are supposed to finish the exercise until the session of Capital budgeting decision) |
| Mon, 14.10.2024 | 4:30  12:45 – 17:30 | **Stock returns II + Financial options**  **Materials:** Student Copy + Exercise  **Activity:**  Compute stock returns, cumulative returns, average and standard deviation of returns in the exercise book  Practice financial options questions in the Exercise book |
| Thu, 17.10.2024 | 1:30  8:30 - 10:00 | **Q&A** |

The last lecture date is reserved for exam preparation. The lecturer will be there and the students can decide if they want to participate or use the time for studying on their own. No new content should be presented in this lecture.

**Module objectives:**

On successful completion of this module, the students will be able to:

* Account for the time value of money as well as risk
* Understand the rules for making investment decisions and evaluate an investment project using discounted cash flow analysis
* Formulate financial policies and strategies and make asset management decisions
* Provide proper valuations for financial instruments

**Module Structure and required readings:**

Section 1 – Goals and Governance of a Firm

Reading: Berk/DeMarzo Chapter 1

* Types of firms
* Ownership and Control
* Group presentation: What is the best investment?

Section 2 – Time Value of Money

Reading: Berk/DeMarzo Chapter 4

* Future and Present values
* Single and multiple cash flow scenarios

Section 3 – Understanding Interest Rate

Reading: Berk/DeMarzo Chapter 5

* APR and EAR
* Determinants

Section 4 – Investment Decision Rules

Reading: Berk/DeMarzo Chapter 7

* NPV and IRR
* Mutually exclusive projects
* Payback period

Section 5 – Cash Flows & Capital Budgeting

Reading: Berk/DeMarzo Chapter 8

* Relevant cash flow
* Capital budgeting and project evaluation

Section 6 – Dividends and Equity Pricing

Reading: Berk/DeMarzo Chapter 9

* Dividends and stock prices
* Stock return and risk

Section 7 – Fundamentals of Derivatives

Reading: Berk/DeMarzo Chapter 20

* Definition of stock options
* Simple option math

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| Literature | Session /  Date of use | Mandatory (M) / Recommen-ded (R) | Pre-reading: yes / no |
| Book: Corporate Finance by Jonathan Berk and Peter DeMarzo. (Pearson) ISBN-13: 978-1292304151 (5th edition) | 01.09.2024-30.10.2024 | **M** | **Yes** |
| Book: Principles of Corporate Finance by Richard Brealey and Stewart Myers and Franklin Allen (Mcgraw-hill) ISBN-13: 978-1259144387 (12th edition) | 01.09.2024-30.10.2024 | **R** | **No** |

**INCLUSION, DIVERSITY & EQUITY AT KLU**

At KLU, we strive to create a respectful and inclusive learning environment where all students feel welcome. We recognize that diverse backgrounds and life circumstances, such as dis/abilities, chronic illnesses, caregiving responsibilities, neurological conditions, mental health conditions, personal crises, nationality or gender identity, or any other aspect of identity, can present unique challenges or experiences in everyday learning. Please reach out to us so we can collaborate on finding solutions together. You are always welcome to contact your instructor, KLU’s Inclusion, Diversity & Equity Officer, or the Chair of the Board of Examiners to discuss potential accommodations and support.