



UNIVERSITÀ
CATTOLICA
del Sacro Cuore

Business Finance

Prof. Claudio Mario Grossi – Prof. Francesca Pampurini

Module I – Financial Analysis

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COURSE AIMS

The course has the purpose of introducing the student to a business management and corporate finance approach that blends specific managerial issues and practices with academic and theoretical rigour. The course will illustrate and use models for the financial analysis and the performance measurement of companies; the models are designed to assist the student in building knowledge and skills in line with the demands of the business world.

Considering the subject matter is vast, the professor has elected to concentrate the course objectives on the following aspects of corporate finance: the definition of a firm's equilibrium; the means for measuring equilibrium; the quantitative inter-relationships between business, financial and structural aspects that stem from management's business decisions; the relationships between firms and financial intermediaries with regard to the valuation of financing transactions; the forecasting of a firm's equilibrium; and the forecasting of financing requirements and their sustainability.

LEARNING OUTCOMES

- To equip the student with the capacity to understand a firm's financial flows and their impact on the firm's equilibrium, risks and development.
- To equip the student with the capacity to formulate ex-post and ex-ante analyses with respect to a firm's financial requirements and to assess the sustainability and adequacy of the sources of financing used.

At the end of the course, the student:

- will be capable of adopting methods and models for analysing a firm's financial position;
- will be capable of formulating financial forecasts and evaluating the most appropriate forms of financing in general and at least in terms of their consistency over time and their organisation.

COURSE CONTENT

- Financial function within firms: development over time, current contents, prospects.
- Key Performance Indicators for firms: concepts, types, contents.
- Internal and external analysts: differences in their roles, skills required, instruments available.
- Equilibrium/disequilibrium of firms: concepts and measurement mechanisms (including applicable Basel 2 provisions: roughly 1-hour overview).

- Questionnaire for studying financial-statement concepts, formats and indicators completed and discussed in class (to be used for review purposes and ensuring all students are at the same level).
- Main formats for balance sheet and income statement analysis, normally used as basics for performances measurement, and their significance;
- Business management and performance: a formal model and its quantitative representation;
- Indicators and link with the firm's financial structure;
- Business management and financial requirements: a model for measuring working capital requirements. The proper means for financing working capital.
- From working capital flows to total flows: a complete model for analysing a firm's financial dynamics.
- From historical analysis to forecast analysis: breakeven analysis applied to real financial statements.
- Advanced models for analysing the profitability of capital and the effect of financial leverage: four developments and real application of the Modigliani/Miller equation.

READING LIST

CIARAN WALSH , *Key Management Ratios*, Prentice Hall, fourth edition.

For students not attending class on a regular basis, chapters needed to be studied are: Part two and Part three complete, chapter 15th, 16th and 19th of the Part Five. Total of 165 pages.

The students attending class regularly, is not necessary the study of chapters 16th and 19th. Total of 130 pages. The examination test for students attending the course, will be different and sustainable only by those who actually attended.

Part one of the same book is considered well known by the students as educational background.

Special lecture notes prepared by the professor will be available at the start of the course, at the photocopy office.

Cases and exercises using Excel, with solutions that will gradually be made available on the Blackboard throughout the course.

TEACHING METHOD

Lectures; practical assignments carried out under the professor's guidance during the course; sample tests to be taken at home and corrected in class.

ASSESSMENT METHOD

Students attending class on a regular basis will be given a written test at the regularly scheduled examination date. Students testing at a later scheduled examination date could be tested on the basis of an interview, and will be different for students who have attended the course compared to those who haven't. Given the course deals with a certain amount of quantitative material, the professor may request brief exercises and calculations to be done during the interview, with immediate checking and discussion of the solutions. About written test, it's split in two sections. The first one contains about 15 questions with open or close answer. Each question values a bit score, for a total amount of 31 (thirty one). Some question could be complex, i.e. requesting calculations or short exercise solution. The second part of the test is a quantitative case-study and the student will deal with schemes and calculations in order to solve questions on Financial Statement, Budget, Financial Needs and so on. All the matters requested are related with the program course managed during the lessons (for attending students). Even in this case the score is made according to the schemes and calculations required and, overall, the final score is equal to 31 (thirty). The final grade will be the simple average of the marks obtained in the two parts. According to the results of the written test, the teacher will consider the need or opportunity to add an oral test. The oral test cannot be made or request, if the result of the written test is less than the minimum required (eighteen of thirty)

Module II – Corporate Finance

Professor Francesca Pampurini

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COURSE AIMS

The purpose of this module is to present the main features of common financial instruments used by the firms to manage the stakeholders' risks and expectations. The course offers a deeper examination of the main financing instruments such as bonds and stocks with reference to pricing, risk and return. A particular focus on the CAPM theory and the cost of capital. The second part of the course aims to show the most important risks that managers deal with and some extraordinary corporate operations.

LEARNING OUTCOMES

- The student will be able to evaluate a company by financial and/or market data.
- The student will be able to understand different financing instruments and techniques
- The student will be able to recognize the main extraordinary finance operations.

COURSE CONTENT

- Stocks and Bonds valuation techniques.
- Dividend policy
- Capital Asset Pricing Model and risk.
- Relative Valuation.
- Financing opportunities
- Special focus on IPOs
- Merger & Acquisition, takeover and friendly mergers.

READING LIST

BREALEY-MYERS-ALLEN, *Principles of Corporate Finance*, 11 ed., McGraw-Hill.

TEACHING METHOD

The course will be taught through lectures and assignments. There will be seminars speeches presented and discussed by specific speakers.

ASSESSMENT METHOD

The exam is a written test, and consists of quantitative problems to be solved as well as open- and closed-end questions. Oral examination is not allowed.

To pass the exam the student must achieve at least 18/30. Each question contributes to the final result with a precise number of points. There aren't intermediate examinations. Students that must achieve 10 or 9 CFU can choose to take the two parts of the exam (business finance and financial analysis) during the same day or in different days. The grade is valid for the entire session, then it expires (except for different agreements with the instructor). The final grade will be the GPA: passing marks are needed in both partial examinations.

NOTES

Information on office hours available on the teacher's personal page at <http://docenti.unicatt.it/>