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# Corporate Finance

**Professor:** Javier Gómez Biscarri

**Office hours:** by appointment

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## Course Description

*Corporate Finance* addresses the two main decisions in the financial management of the company: investment decisions, regarding how to use company resources for productive projects, and financing decisions, which focus on obtaining the necessary resources so that investments can be carried out. This course is intended as an introduction to the analysis of both types of decisions and how they should be directed at achieving the main objective of the CFO: increasing shareholder value.

## Objectives

The main objectives of the course are:

- 1) To introduce the function and goals of financial management within the corporation.
- 2) To review the way in which financial management achieves these objectives, with special emphasis on decision-making implications: CFOs must be ready to give sharp answers to the main questions regarding investment of the company's resources and how those resources should be obtained.
- 3) To lay the foundation for future specialized courses on financing and entrepreneurship, elaboration of business plans and financial planning.



## Methodology

There will be 20 one and half-hour lectures where we will discuss the concepts and methodologies of investment and financing analysis. These sessions are based on the material covered in the recommended textbook (see the course outline below for correspondence between the textbook and the topics discussed) but the professor will focus on specific topics and cover some additional support material. Class slides will be available in Campus Global, although the lectures will not follow the slides literally. Some of the lectures will be devoted to in-class analysis of more complete cases, where student participation is especially encouraged.

There will be 10 seminar classes where students will solve exercises based on the material covered in the theory sessions. These seminars should help review the main concepts covered in class and prepare for the midterm and final exams. Some (but not all) of these seminars will have assignments that have to be turned in and will be graded.

## Evaluation criteria

### Regular Assessment

To pass the course, you must earn at least 50 points out of 100, according to the following distribution:

Midterm exam (Nov 11, in class): 30 points. Content of this midterm will be the material covered in the lectures before the midterm (tentatively shown below).

Final exam (Dec 13, 14:00): 60 points.

Problem sets: 10 points.

### Re-take

If the student has not passed the course, the final exam can be retaken during the retake period. The final grade will be computed using the grade in the retake exam.

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

Students who fail the course during the regular evaluation are allowed ONE re-take of the evaluation, in the conditions specified above. If the course is again failed after the retake, the student will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the "Retake" period). In the meantime, the student will

get an “incomplete”, which will be replaced by the actual grade after the final exam is taken. The “incomplete” will not be reflected on the student’s Academic Transcript.

Plagiarism is to use another’s work and to present it as one’s own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the “Honor Code,” students acknowledge that they understand the schools’ policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program.”

### Calendar and (approximate) Contents

Session	Content	Chapters (BDM book)	Week
<b>The basics of financial analysis</b>			
Sept 30 (16:30)	Introduction	1	2
Oct 1 (16:30)	The Financial Statements as a source of information	2	2
Oct 7 (16:30)	The time value of money and basic concepts of asset valuation (bonds and stocks)	3, 4, 6, 9	3
<b>Investment decisions: decision criteria, cash flows and the cost of capital</b>			
Oct 8 (16:30)	The main criteria for selection of investment projects: accounting return, payback, NPV, IRR	7	3
Oct 14 (16:30)	The capital budget (I): project cash-flows	8	4
Oct 15 (16:30)	The capital budget (II): adjustments to the cash-flow and project analysis	8	4
Oct 21 (16:30)	The capital budget (III): adjustments to the cash-flow and project analysis	8	5
Oct 22 (16:30)	Case discussion: a cash-flow case		5
Oct 28 (16:30)	Analysis of risk and its impact on investment decisions	10, 11	6
Oct 29 (16:30)	The cost of capital	12	6
Nov 4 (16:30)	The cost of capital (II)	12	7
Nov 5 (16:30)	Analysis of complex decisions (I)	22	7
Nov 11 (16:30)	<b>Midterm exam</b>	22	8
Nov 12 (16:30)	Analysis of complex decisions (II)	22	8
Nov 18 (16:30)	Case discussion: an investment case with linked contracts		9
<b>Financing decisions: capital structure, financing alternatives and dividend policy</b>			
Nov 19 (16:30)	Capital structure (I)	14-16	9
Nov 25 (16:30)	Capital structure (II)	14-16	10
Nov 26 (16:30)	Capital structure (III)	14-16	10



Dec 2 (16:30)	Debt , equity, dividends	17, 23, 24	11
Dec 3 (16:30)	Summary, questions, etc.		11
Dec 13 (14:00)	<b>FINAL EXAM</b>		

Practice sessions will generally be on Thursdays, 18:30-19:30 (although check your online schedule since some of them may happen at a different time/day).

## Reading Materials/ Bibliography/Resources

### Textbook

BERK, J.; DEMARZO, P. Corporate Finance. 3rd ed. Pearson (BDm).

**Class slides provided by professor**

## Bio of Professor

Prof. Gómez Biscarri holds an M.A. in Economics and a Ph.D. in Business Economics from UCLA. He is Serra Hùnter Associate Professor of accounting and finance at Universitat Pompeu Fabra and affiliated professor of the Barcelona Graduate School of Economics and of the Barcelona School of Management. He also has taught for IESE Business School and Deusto Business School. His current research focuses on the impact of accounting on the banking sector, specifically on earnings management behavior and on the effect of depositor discipline and new accounting regulation on banks' strategies.