Corporate Finance

Module Code: ECO00008M  Credits: 10  Term: 2
Contact Hours: 18 hours of lectures, 1 two-hour Tutorial (20 contact hours)
Module Organiser: Dr. A Isin

Overview:

This course has the objective of introducing students to theoretical research in corporate finance. The emphasis will be on incomplete information models, though a few models driven by other considerations may also be studied. In light of recent developments in the world economy, some attention will be given to the consequences of corporate governance and financing decisions on risk-taking by managers.

Aims:

To provide students with a thorough understanding of key issues in the theory of corporate finance and the relevance of theory for financial decision-making within firms.

Career:

This module is mainly of academic interest, but provides valuable background for students finding themselves dealing with corporate financing decisions in banks and/or (large) corporations.

Contents:

The following topics will be covered:

- Corporate Finance under perfect capital markets: The Modigliani-Miller Propositions on capital structure.
- Agency Problems and capital structure.
- Adverse selection and capital structure.
- Corporate governance
- Security design/structure of corporate liabilities.

Learning Outcomes:

After successful completion of this module the student is able to
- Explain the different theories in corporate finance;
- Critically assess the different theories in corporate finance;
- Solve basic agency models related to corporate financing decisions;
- Describe the incentive problems that can occur due to asymmetric information and ways to solve them through contract design.
Assessment:

There will be a two-hour unseen examination scheduled in the **Summer Term**.

Pre-requisites:

None.

Main Reference: