



Syllabus

(last update: 02.04.2024)

Advanced Corporate Finance *ECO-10395*

1 General Description

Advanced Corporate Finance aims at giving bachelor students insights about central questions in modern corporate finance based both on fundamental theoretical results and established empirical findings. Given the mere size of the corporate-finance literature, the topics covered in class unavoidably represent a selection among current issues. The heavy use of “state-preference theory” (with discrete states and time steps) represents a special feature of this course which makes it suitable as a general introduction to asset-pricing courses in the field of finance.

2 Learning Goals

The course will provide students with a sound theoretical and empirical knowledge of basic issues in corporate finance, which might both increase the curiosity for research topics in this field and sharpen their critical eye with respect to corporate-finance decisions taken by corporations. Upon successful completion of the course, students will be familiar with common terminology, the most important topics, and state-of-the-art methodological approaches in modern corporate finance. Students will also be able to connect real-world decisions of corporations to concepts and theories presented in class.

3 Prerequisites

Students attending this course should be familiar with matrix algebra, basic optimization routines, and basic option pricing concepts. This includes a general understanding of constrained optimization using Lagrange multipliers, binomial trees, and the Black and Scholes option pricing formula.

4 Teaching Concept

The treatment of each chapter follows a clear predetermined structure. One week before classes, a screencast will be uploaded on ILIAS to be watched at home. In class, I will recap the most important insights from the screencast, answer possible open questions, focus on salient recent events and developments, and offer a short preview on the next chapter. All information on the course will be provided on the ILIAS page of the course. The teaching structure just described aims at optimizing the trade-off between exploitation (teaching established concepts via screencasts) and exploration (focusing in class on recent events and new developments in the field of corporate finance). Additionally, just after class, a set of questions related to the current chapter will be uploaded on ILIAS. They should be solved by students and will be discussed in the following tutorial, i.e., the following week. Written solutions to the questions will also be provided. On top of the tutorials, an ILIAS forum is available for the purpose of discussing topics with fellow students and/or asking questions to the lecturer and the teaching assistants.

5 Outline of the Lecture

The lectures are scheduled fortnightly on Fridays starting from 13:30 in room R512. The following table provides a list of topics covered in the lecture.

Session	Date	Topic
1	12.04.24	Ch.0: Administrative Matters & Ch.1: Intro to Corporate Finance
2	26.04.24	Ch.2: Valuation of Risky Projects (Part I)
3	10.05.24	Ch.2: Valuation of Risky Projects (Part II)
4	24.05.24	Ch.3: Corporate Financing and Payout Policy
5	07.06.24	Ch.4: Contingent Claim View on Corporate Securities
6	21.06.24	Ch.5: Valuation of Flexibility
7	05.07.24	Ch.6: Valuation in Practice

6 Outline of the Tutorials

The lectures are accompanied by fortnightly tutorials also held on Fridays starting at 13:30 in room C230. The following table provides a list of topics covered in the tutorial.

Tutorial	Date	Topic
1	19.04.24	Ch.1: Intro to Corporate Finance
2	17.05.24	Ch.2: Valuation of Risky Projects (Part I)
3	14.06.24	Ch.2: Valuation of Risky Projects (Part II)
4	28.06.24	Ch.3: CorpFin and Payout Policy & Ch.4: CC View on Corp. Securities
5	12.07.24	Ch.5: Valuation of Flexibility & Ch.6: Valuation in Practice

7 Credits & Exam

Advanced Corporate Finance is a three-academic-hour course (2+1). Five credit points are awarded upon successful completion of the course. The final grade for the course will be determined based on a written final exam. Exam dates will be available in due time on the webpage of the department's exam administration. During the 90-minute exam students are allowed to use a non-programmable calculator and one A4 cheat sheet, written or printed on both sides.

Note: Questions (incl. emails) will be answered until one week before the end-of-semester exam.

8 Readings & Literature

Reading materials (including slides) will be made available on ILIAS. Most topics of the course are based on the following book:

- *Financial Theory and Corporate Policy* by T.E. Copeland, J.F. Weston and K. Shastri, Pearson Addison Wesley, 2004 (4th edition).

Additional course-related readings consist of academic papers and selected chapters from the following books:

- *Mathematical Techniques in Finance: Tools for Incomplete Markets* by Ales Cerny, Princeton University Press, 2009 (2nd edition).
- *The Theory of Corporate Finance* by Jean Tirole, Princeton University Press, 2006.
- *Theoretical Foundations of Corporate Finance* von Joao Amaro de Matos, Princeton University Press, 2001.

9 Contact Information

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