

BUSI60040: Corporate Finance Online



Dr Claudia Custodio

E: c.custodio@imperial.ac.uk

Office Hours: Available by appointment

Module Description

This module is an introduction to financial markets. We first want to understand the role that financial markets play in the economy; the role of financial intermediation. Financial markets move capital from savers to borrowers: the savers because they want to consume more in the future and the borrowers because they want money to invest in projects today. We need to understand who the savers are, who the borrowers are, the basic financial securities that facilitate the flow of funds and how the markets are organised to support this flow.

Learning Outcomes

By the end of the module, you will be able to:

1. Explain the roles played by financial markets in the macroeconomy in allocating capital, and the different function played by equity and debt securities in facilitating that allocation.
2. Describe how business risk is transferred and priced in equity and debt securities.
3. Understand the basic finance valuation models and select an appropriate model to estimate project and company value.
4. Analyse the basic finance decisions of the corporation, and to apply analytical thinking to inform these decisions.

Module Content

In this module we will cover the following:

We start by introducing the role of financial markets in allocating capital, and discuss the organisation of these markets. In particular, we will highlight the difference between the equity and debt markets in facilitating the transfer of capital. We will then analyse in detail the two basic securities: bonds in the debt markets and shares in the equity markets. We will focus in turn on how these securities are issued, traded and priced. This will require us to learn about various financial tools, the yield curve, the dividend discount and discounted cash flow models, and how to apply these tools.

We will then discuss how the securities transfer economic business risk between investors, and how this risk is priced; for this we will need to understand the capital asset pricing mode (CAPM).

The module will then move onto analysing the core decisions of the corporation. In particular, we will apply our understanding to the capital structure decision (how to raise capital as efficiently as possible), the cash disbursement decision and the risk management decision. Throughout this discussion, we will illustrate the ideas through case studies and assess their ability to explain the main empirical stylised facts.

Teaching Methods

Teaching is delivered by a pragmatic blend of pre-recorded lectures, synchronous scheduled live tutorials, asynchronous peer-to-peer and staff-moderated discussion forums, case studies, problem exercises and online simulations. This approach encourages the achievement of the various learning outcomes by ensuring the acquisition of knowledge and facts, as well as the development of critical appreciation of the theory and concepts covered in the module and how these can be applied to real-world contexts. Learning throughout the module is typically structured around 10 1-week sessions.

Assessment

- Group Report - 15%
- Group Essay - 15%
- Final Examination - 70%