

Finance II (preliminary version)

Academic Year: **2020/2021**

1st Semester

Level of curricular unit: Undergraduate (1st cycle, as defined in the Framework of Qualifications for the European Higher Education Area)

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Biography:

Guilherme Almeida e Brito has a Ph. D. in Finance from New York University, an MBA from New York University, and a degree in Business Administration from Universidade Católica Portuguesa. He is Dean for Degree Programs at Católica-Lisbon School of Business and Economics. He has had several roles at Católica-Lisbon as Associate Dean, including MBA Academic Director and MSc Academic Director. He received the Lisbon MBA Part-Time Best Professor Award in 2012, 2014, 2015 and 2016. His main areas of academic activity include capital budgeting, financing decisions and security design. He has presented his research at several international Finance conferences. He is a consultant for the Center of Applied Studies and has developed some entrepreneurial activities.

António João Lavrador is Managing Partner at Wable and was general business manager in various companies since 1992. He was in charge of many mergers and acquisitions between firms in the food, textiles and ceramic industries. From 1988 to 1992, he was an expert in Corporate Finance in investment banks and also director of a venture capital company (SFIR). Between 1983 and 1987, he worked as a consultant and CFO of manufacturing firms. Since 1995, he is a lecturer at Universidade Católica Portuguesa in Lisbon and has taught courses in Finance and Taxation. He obtained an Undergraduate degree in Business Administration from Universidade Católica Portuguesa in Lisbon in 1983.

Rodrigo Prazeres has a track record of more than 25 years in Finance, in various local and multinational companies. His career includes experiences in Automotive, Insurance, Telecom, Vineyard, Information Technologies and Fitness. Rodrigo holds a degree in Business Administration and a Master in Finance from Universidade Católica Portuguesa (Lisbon, Portugal). He has been lecturing Finance II at CLSBE since 2014, and has also lectured courses in Finance and Management Control Systems at other universities, from 2008 to 2012.

Course Description:

This course studies Corporate Finance theory, which is how a firm should decide on its (i) capital structure (how to raise capital) and (ii) capital budgeting (how to select investment projects). It also investigates how the firm should set its (iii) payout policy (how to return profits to shareholders); what it should do to prepare for potential



(iv) mergers and acquisitions; how to (v) hedge and manage risk; and whether and when (vi) it should become publicly listed on a stock exchange.

Course Content

(in parentheses, for each topic the relevant chapters of the BMA or BdM books adopted in this course):

1. Capital Budgeting and the NPV Rule (BMA 5 and 6)
2. Payout Policy (BMA 16)
3. Modigliani-Miller and Capital Structure (BMA 14.3 , 17, and 19.4)
4. How much should a Corporation borrow? (BMA 18)
5. Capital Budgeting with Leverage (BdM 18)
6. The Agency Costs of Debt (BMA 18.3 and 18.4)
7. The Many Kinds of Debt (BMA 24)
8. Mergers (BMA 31)
9. Initial Public Offerings (BMA 15)
10. Real Options (BMA 10.4 and 22)

Course Objectives:

The course seeks to provide a rigorous survey and introduction to Corporate Finance. Students should be able to understand the main issues involving the corporation and develop the tools needed to master the concepts listed in the course description.

Required background:

Finance I, in particular: analytical tools in Financial Math, Stock Valuation, Bonds Valuation.

Grading

There are two compulsory midterm exams and a final exam for selected students. Students pass if their final grade is higher or equal to 10 (9.50).

We reserve the right to change the student's final grade up to plus or minus one point. Class participation will be relevant for that purpose.

The grade is composed of the continuous evaluation grade (CE) and the final grade.

CONTINUOUS EVALUATION GRADE (CE):

The student is obliged to follow a continuous evaluation scheme, which may allow him/her to skip the final exam. During the semester, there will be two midterms (M1 and M2). The final grade of the continuous evaluation (CE) is the weighted average of the two midterms, rounded to two decimal places, according to the weights in the following table:

	M1	M2	Maximum Final grade CE
Attending all evaluations	47.5%	52.5%	100%
Missing one midterm	60%		60%



The only exceptions to the table above are:

- if the student duly justifies her/his absence to midterm 1 and the justification is approved by the direction of CLSBE, the points of the absent and justified midterm 1 will be replaced by the first half of the final exam that only covers topics pertaining midterm 1. The weights above still apply.
- if the student duly justifies her/his absence to midterm 2 and the justification is approved by the direction of CLSBE, the points of the absent and justified midterm 2 will be replaced by the second half of the final exam that only covers topics pertaining midterm 2. The weights above still apply.

FINAL GRADE :

- A: Students with CE grade ≥ 9.50 , AND M1 grade ≥ 7.00 , AND M2 grade ≥ 7.00 do not need to take the final exam in which case their grade will be according to CE. These same students can sit at the final exam for the first 15 minutes without incurring any risk. After the 15th minute, their grade will be computed as 40% CE grade + 60% Final Exam Grade.
- B: Students with CE grade < 7.50 fail immediately, are excluded and do not have recourse to the final exam.
- Any other student should take the final exam
 - Students that take the final exam have their final grade as 40% CE grade + 60% Final Exam Grade

Exam Reviewing session:

Although we take extreme care not to have any mistakes while grading exams, those might occur and all students have the right to see their exam. However, students might understand that the grade might be higher or lower than it should be and the outcome of any revision might be a higher or lower grade.

Students can be assured that the grades that are around the passing grade or around the grade that would change an important decision (from “failing” to “final exam”, for instance) are reviewed more than once and we do our best to give the most positive decision to the student before announcing the grade.

Bibliography:

Lecture notes and problem sets (available at the course web page).

R. Brealey, S. Myers, and F. Allen, Principles of Corporate Finance, 13th Edition, McGraw-Hill. (BMA)
Berk, Jonathan B., and Peter M. DeMarzo. Corporate Finance. Pearson Education, 4th edition (BdM).

Code of conduct and ethics:

Católica Lisbon School of Business and Economics is a community of individuals with diverse backgrounds and interests who share certain fundamental goals. A crucial element to achieve these goals is the creation and maintenance of an atmosphere contributing to learning and personal growth for everyone in the community. The success of CATÓLICA-LISBON in attaining its goals and in maintaining its reputation of academic excellence depends on the willingness of its members, both collectively and individually, to meet their responsibilities.

Along with all the other members of our community, students are expected to follow professional standards and CATÓLICA-LISBON standards of Academic Integrity. Some details should be mentioned here: Please arrive on time for class with uninterrupted attendance for the duration of the class. Signing attendance sheet for anyone else in the class constitutes fraud and a violation of the CLSBE code of conduct. Use of computers and other electronic devices during the class is not allowed, unless expressly requested by the instructor of the course. Students who persistently act in a disruptive and disrespectful manner during the class session may be invited to leave.

Students are expected to behave at all times according to the fundamental principles of academic integrity, including honesty, trust, fairness, respect, and responsibility. In particular,

- a) In **individual graded assignments** of any type, students may not collaborate with others or use any materials without explicit permission from the instructor of the course;
- b) In **group assignments and reports**, all students listed as authors should have performed a substantial amount of work for that assignment;
- c) It is dishonest to fabricate or falsify data in experiments, surveys, papers, reports or other circumstances; fabricate source material in a bibliography or "works cited" list; or provide false information in other documents in connection with academic efforts;
- d) **Plagiarizing**, i.e. "to steal and pass off the ideas or words of another as one's own and or to use another's production without crediting the source" (Merriam-Webster Dictionary) is an Academic Integrity breach. It can be avoided by using proper methods of documentation and acknowledgement. Visit this guide for additional resources on how to avoid plagiarism in your written submissions <http://en.writecheck.com/plagiarism-guide>
- e) In **exams** students must not receive or provide any unauthorized assistance. During an examination, students may use only material and items authorized by the faculty. Use of smartwatches or other communication devices is not permitted during the exam.

Academic integrity breaches will be dealt with in accordance with the school's code of Academic Integrity: <https://www.clsbe.lisboa.ucp.pt/system/files/assets/files/academicintegritycode.pdf>
