

# IB236-15 Finance 2: Corporate Finance

**20/21**

**Department**

Warwick Business School

**Level**

Undergraduate Level 2

**Module leader**

Danmo Lin

**Credit value**

15

**Module duration**

10 weeks

**Assessment**

Multiple

**Study location**

University of Warwick main campus, Coventry

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## Description

### Introductory description

Students will understand principles underlying financial decision making by corporations. They will develop a solid understanding of financing and investment decisions; options, futures, forwards, warrants and convertibles; valuation techniques for investment appraisals. Some of the fundamental concepts of corporate finance, such as corporate governance and capital structure are also discussed and a global aspect of corporate finance is reviewed under international finance.

### Module aims

Make students critically aware of the key financial decisions taken by firms.

Develop in students a sound understanding of the main theories and models of Corporate Finance.

Make students aware of key empirical tests of those models, and their implications.

Provide students with structured opportunities to practise using the key tools and techniques of Corporate Finance.

Prepare students for advanced undergraduate and postgraduate studies in Finance.

### Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

- Cost of Capital
- Risky debt
- Capital Structure
- Payout Policy
- Company valuation
- Options
- International Corporate Finance
- Initial Public Offerings

## **Learning outcomes**

By the end of the module, students should be able to:

- Critically assess the factors that determine the optimal investment, financing and payout decisions of a firm.
- Compute the cost of capital of a firm under alternative assumptions.
- Use alternative methods for valuing firms to gain important insights into value drivers.
- Discuss the main motives for mergers and acquisitions.
- Identify the reasons why firms raise capital.

## **Indicative reading list**

Hiller D, Ross SA, Westerfield RW, Jaffe J & Jordan BD, Corporate Finance, (European edition, McGraw-Hill 2010).

Berk J & DeMarzo P, Corporate Finance, (2nd edition, Pearson 2010).

## **Subject specific skills**

1. Discuss topical issues about the theory and practice of Corporate Finance.
2. Construct spreadsheets to value the equity and debt in a firm's capital structure, and test the robustness of those values to changes in key inputs.
3. Explain and interpret corporate financial information from the financial press.
4. Use web-based resources to retrieve, process and interpret corporate financial data.

## **Transferable skills**

1. Solve structured numerical problems.
  2. Write informed critiques of important topics in Corporate Finance theory.
  3. Analyse case studies and formulate arguments to support a particular solution.
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## Study

### Study time

Type	Required
Lectures	10 sessions of 2 hours (13%)
Seminars	9 sessions of 1 hour (6%)
Private study	47 hours (31%)
Assessment	74 hours (49%)
Total	150 hours

### Private study description

Independent learning

### Costs

No further costs have been identified for this module.

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### Assessment

You do not need to pass all assessment components to pass the module.

#### Assessment group D

	Weighting	Study time
Participation	10%	9 hours
Online Examination	90%	65 hours
Exam		

~Platforms - AEP

#### Assessment group R

	Weighting	Study time
Online Examination - Resit	100%	
Exam		

~Platforms - AEP

## Feedback on assessment

In-seminar and cohort feedback post-exam

[Past exam papers for IB236](#)

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## Availability

### Pre-requisites

To take this module, you must have passed:

- Any of
  - IB235-12 Finance 1: Financial Markets
  - [IB266-15 Fundamentals of Finance](#)

### Courses

This module is Core for:

- Year 2 of UIBA-N400 Undergraduate Accounting and Finance
- Year 3 of UIBA-N403 Undergraduate Accounting and Finance (with Foundation Year)

This module is Optional for:

- UIBA-N20B BSc in Management
  - Year 2 of N20B Management
  - Year 2 of N20B Management
  - Year 2 of N23K Management with Accounting
  - Year 2 of N234 Management with Digital Innovation
  - Year 2 of N235 Management with Entrepreneurship
  - Year 2 of N232 Management with Finance
  - Year 2 of N252 Management with Marketing
  - Year 2 of N23L Management with Strategy and Organisation
- Year 3 of UCSA-I1N1 Undergraduate Computer Science with Business Studies
- Year 4 of UCSA-I1NA Undergraduate Computer Science with Business Studies (with Intercalated Year)
- Year 1 of UIOA-EEU Undergraduate EU Exchange
- Year 1 of UIOA-ESO Undergraduate European Exchange
- Year 2 of UGEA-RN21 Undergraduate German and Business Studies
- Year 2 of UIPA-L8N1 Undergraduate Global Sustainable Development and Business
- Year 2 of UIBA-N1RA Undergraduate International Business with French
- Year 2 of UIBA-N1RB Undergraduate International Business with German
- Year 2 of UIBA-N1RC Undergraduate International Business with Italian
- Year 2 of UIBA-N1RD Undergraduate International Business with Spanish

- UIBA-N20F Undergraduate International Management
  - Year 2 of N20F International Management
  - Year 2 of N20F International Management
  - Year 2 of N20S International Management (with Accounting)
  - Year 2 of N20T International Management (with Chinese)
  - Year 2 of N20N International Management (with Digital Innovation)
  - Year 2 of N20P International Management (with Entrepreneurship)
  - Year 2 of N20M International Management (with Finance)
  - Year 2 of N20U International Management (with French)
  - Year 2 of N20L International Management (with Marketing)
  - Year 2 of N20V International Management (with Spanish)
  - Year 2 of N20W International Management (with Strategy and Organisation)
  - Year 2 of N20E Management (with Foundation Year)
  - Year 2 of N234 Management with Digital Innovation
- Year 2 of UIBA-MN3A Undergraduate Law and Business Studies
- UIBA-N20E Undergraduate Management (with Foundation Year)
  - Year 3 of N20E Management (with Foundation Year)
  - Year 3 of N23N Management with Accounting (with Foundation Year and Placement Year)
  - Year 3 of N23M Management with Accounting (with Foundation Year)
  - Year 3 of N23E Management with Digital Innovation (with Foundation Year)
  - Year 3 of N23F Management with Entrepreneurship (with Foundation Year)
  - Year 3 of N23D Management with Finance (with Foundation Year)
  - Year 3 of N254 Management with Marketing (with Foundation Year)
  - Year 3 of N23P Management with Strategy and Organisation (with Foundation Year)
- Year 3 of UMAA-G1N4 Undergraduate Mathematics with Business Studies
- Year 4 of UMAA-G1N5 Undergraduate Mathematics with Business Studies (with Intercalated Year)
- Year 1 of UIOA-EOS Undergraduate Overseas Exchange
- Year 4 of UPXA-F3ND Undergraduate Physics and Business Studies (with Intercalated Year)
- Year 3 of UPXA-F3N2 Undergraduate Physics with Business Studies
- Year 1 of UIOA-EUS Undergraduate USA Exchange