

Finance II

Academic Year: **2014/2015**

Semester: **1st**

Instructor(s): Nelson Camanho (Main)
António Lavrador (Assistant)
Mário Meira (Assistant)
Rodrigo Prazeres (Assistant)

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:

1. Capital Budgeting and the NPV Rule
2. Payout Policy
3. Modigliani-Miller and Capital Structure
4. How much should a Corporation borrow?
5. Capital Budgeting with Leverage
6. Real Options
7. Mergers and Acquisitions
8. Initial Public Offerings
9. Risk Management and Hedging

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.



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 10.0.

Grading (1st option):

First midterm exam:	37.5%
Second midterm exam:	42.5%
Quizzes + Attendance/Participation:	20.0%

Grading (2nd option):

Final grade according to 'Grading (1 st option)':	40.0%
Final Exam:	60.0%

- Students with:

- (i) grade on the first midterm exam ≥ 8.0 AND
- (ii) grade on the second midterm exam ≥ 8.0 AND
- (iii) final grade according to 'Grading 1st option' ≥ 10.0

do not take the final exam and their grade will be according to 'Grading (1st option)'.

- Students with

- (i) $8.0 \leq$ final grade according to 'Grading (1st option)' < 10.0 OR
- (ii) final grade according to 'Grading (1st option)' ≥ 10.0 AND either
 - (a) grade on the first midterm exam < 8.0 OR
 - (b) grade on the second midterm exam < 8.0

must take the final exam and their grade will be according to 'Grading (2nd option)'.

- Students with

- (i) final grade according to 'Grading (1st option)' < 8.0

fail immediately and do not have recourse to the final exam.

- Absences:

If a student is absent for a midterm exam, she gets a grade of zero in that exam unless she can produce a timely medical certificate or any other reasonable justification, in which case she can replace it with the final exam.



Bibliography:

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

R. Brealey, S. Myers, and F. Allen, Principles of Corporate Finance, 11th Edition, McGraw-Hill.

Biography:

Nelson Camanho obtained his PhD in Finance at the London School of Economics (UK) in 2013. He is a General Engineer from l'Ecole Centrale de Lyon (France), and received a BSc in Industrial and Mechanical Engineering and a Masters in Economics from the Catholic University of Rio (Brazil). He has previously taught Asset Markets and Applied Corporate Finance at the London School of Economics. His research interests lie in Empirical Corporate Finance, Delegated Portfolio Management, International Finance, and Financial Institutions.

António Lavrador was Managing Partner at Wable and 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 1998 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 Fiscality. He obtained an Undergraduate degree in Management and Business from Universidade Católica Portuguesa in Lisbon in 1983.

Mário Meira holds a M.Sc in Economics from Católica-Lisbon School of Business and Economics and an Undergraduate degree in Economics from Católica-Porto School of Business and Economics. He is currently enrolled in the Ph.D. program in Economics in Nova School of Business and Economics. In his previous professional experience he has worked as a consultant for institutions like the Portuguese Banking Association and Maksen.

Rodrigo Prazeres has a track record of more than 25 years in Finance, in various local and multinational companies. His career includes experiences in the Automotive Industry, Insurance, Telecom, Vineyard and Information Technologies. Rodrigo holds a degree in Management from Universidade Católica Portuguesa (Lisbon, Portugal), and is currently finalizing the Master in Finance program at the same University. His academic experience includes lecturing Financial Analysis and Planning, Corporate Finance and Management Control Systems at Instituto Superior de Línguas e Administração (ISLA), Lisbon from 2008 to 2012.

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