



Syllabus

(last update: 16.10.2023)

Advanced Corporate Finance

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.

3 Time & Place

The course *Advanced Corporate Finance* is exceptionally offered in the Winter Term 2023/2024 to accommodate the request of some students to be able to graduate without delay. In fact, according to our new Bachelor program, ACF will be regularly offered in the Spring Term. Students who do not face the pressure of having to take the exam in the Winter Term 2023/2024 are encouraged to attend the regular course in the Spring Term. For this reason, the course offered in the Winter Term 2023/2024 will be mainly covered by asynchronous screencasts coupled with an online forum and tutorials. There will be a in-person kickoff-meeting on November 10, 2023 at 1.30 p.m. in room G227 to

explain the structure of the course and a final meeting on January 26, 2024 from 1.30 p.m. to 4.45 p.m. in room F428 to address issues related to the exam.

4 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.

5 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, writable/printable on both sides.

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

6 Outline of the Course

The following table provides a list of topics covered in the course.

Module	Topic
1	Introduction to Corporate Finance
2	Valuation of Risky Projects
3	Corporate Financing and Payout Policy
4	A Contingent Claim View on Corporate Securities
5	Valuation of Flexibility
6	Valuation in Practice

7 Tutorials

The tutorials will start on November 24, 2023 (see schedule below). The in-person meetings will be held as Q&A sessions. Students are expected to prepare the tutorials and questions. The respective solutions will be uploaded one week in advance.

Q&A Date	Topic	Related Lecture	Room
24.11.23	Introduction to Corporate Finance	1	tba
08.12.23	Valuation of Risky Projects (I)	2	tba
15.12.23	Valuation of Risky Projects (II)	2	tba
12.01.24	Corporate Financing and Valuation	3 & 4	tba
19.01.24	A Contingent-Claim View on Corporate Securities	4	tba
02.02.24	Mock Exam		tba

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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