

FINE12117
FINANCE I

Instructors

Romain BOULLAND (Course coordinator)
Camillo RIVA
Bingxin XING

Objectives

The purpose of this course is to provide students with an overview of Finance from a managerial point of view. At the end of the course, you should be able to:

- Be knowledgeable about the universe of Finance: its language, its institutions, the problems it addresses and the solutions it proposes;
- Extract information from a company's financial statements and use them to make informed financial decisions;
- Perform basic valuation analysis and understand the interaction between firm value and financial leverage.

Organization

The course consists of: a series of 10 lectures, practice questions corresponding to each lecture, a mid-term exam and a final exam.

The practice questions will not be graded. However, **students are expected to work through the practice questions**, since they contain material that is complementary to in-class discussion. Complete solutions to these practice questions will be made available on the website of the course.

The mid-term exam and the final exam will be graded according to the rules described below.

Course policy

- Students arriving late are not allowed to enter the classroom.
- In case of unjustified absences, the following rules applies:
 - One absence= -2 on the final grade
 - Two absences= -4 on the final grade
 - Three absences and beyond= -8 on the final grade

Grading

- The mid-term exam counts for **40%** of the grade and takes the form of an online quiz;
- The final exam counts for **60%** of the final grade and takes the form of an online quiz.
- In case of absence at the mid-term exam (duly justified, e.g. for medical reasons), the final exam counts for **100%** of the final grade. If unjustified, the absence will be counted as zero.

Readings

The main textbook of the course is

[RWJJ] S. A. Ross, R. W. Westerfield, J. Jaffe and B. D. Jordan, 2019, “Corporate Finance” (12th edition), McGraw-Hill.

Previous editions of this book can also be used and are available at the ESSEC library.

Other occasional articles, references, websites etc. of interest will be suggested throughout the course according to the topic of each session.

Course Outline

Session 1: An Overview of Finance

What Finance is about. Financial markets.

Readings: RWJJ: chapters 1, 15, 16.1, 16.2.

Session 2 & 3: The Additivity of Value

The time value of money. Basic financial mathematics. Present Value.

Reading: RWJJ: chapter 4

Session 4: Cash is King

From accounting statements to cash-flow. Sources and uses of funds. (Optional: Working capital management).

Reading: RWJJ: chapters 2 and 26.

Session 5: Midterm exam

Session 6: How to Make Good Investments

Capital Budgeting decisions. Net present value (NPV). Payback period rule. Internal rate of return (IRR).

Reading: RWJJ: chapters 5 and 6.

Session 7 & 8: Bond and Stock Valuation.

Bond valuation. Stock valuation.

Reading: RWJJ: chapters 8 and 9.

Session 9 & 10: How Much Should a Firm Borrow?

Basic concepts in capital structure. Issuing securities to the public. Debt capacity. Limits to the use of debt.

Readings: RWJJ: chapters 16.3, 16.4, 16.5 and 17