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Reforming Master Programmes in Finance in Armenia and Moldova / REFINE

An Erasmus+ Capacity Building Project (2017-2020)

THE COURSE “CORPORATE FINANCE” OVERVIEW

University: Moldova State University

Teacher: Maria COJOCARU



BASIC INFORMATION



Title of the course (as specified in the reformed curriculum)	CORPORATE FINANCE
Name of the teacher	Maria COJOCARU
Novelty of the course (please select as appropriate)	This course is an updated and revised version of a course which already existed in the curriculum
Year of the course in the curriculum	The 1st
Semester of the course in the curriculum	The 1st semester
Language of instruction of the course	Romanian/ Russian/English
Number of ECTS credits	8

LEARNING OUTCOMES



The course "Corporate Finance" is focused on the formation of systemic knowledge in the field of corporate finance by disclosing the relationship between theory and practice in solving specific problems of Corporate finance. The course is aimed at deepening the previously acquired knowledge and skills in the field of the functioning of company finances regarding the practice of their use for making

LEARNING OUTCOMES



- Applying in practice the basic concepts and principles of corporate finance to understand and make the important financial decisions and solve practical problems.
- analyze and interpret financial and accounting information and other information contained in the corporate statements of various ownership forms and use the data obtained to make current, medium and long-term management decisions;
- application of financial theory and techniques to evaluate a firm's investment and financing decisions;
- critically evaluate corporate financial management practices with the aim of proposing and implementing improvements;
- assesses the cost and structure of the capital and possible directions for its optimization;
- develop a financial management strategy for the corporation based on modern methods and advanced scientific achievements in the field of financial management;
- recognize and manage professional issues in corporate financial management;
- to work in collaboration with other people to set goals and also plan and implement solutions on various issues specific to corporate

SYLLABUS OF THE COURSE



- **Prerequisites:**

Fundamentals of Financial Management (time value of money; valuation of financial assets; risk-return trade-off; cost of capital) and preferably some Financial Accounting and Managerial Accounting. Especially, it is highly expected that most of the students will be getting familiar with the following topics: time value of money, risk-return trade-off, valuation of bonds and stocks, Capital Asset Pricing Model (CAPM).

- **Contact Information and Office Hours:**

Associate Professor: **Maria Cojocaru:**

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Office hours: Mondays 10:00 am – 12:00 am or by appointment.

Office: 319/Central Building

Teaching Assistant: **Elena Rusu** (rusu.elena@gmail.com; office hours by appointment).

- **Schedule and Classroom:**

Lectures: Wednesdays 5:30 - 8:30 pm (305/ Central Building)

Seminars: Mondays 5:30 - 8:30 pm (309/ Central Building)

SYLLABUS OF THE COURSE



WEEK S	TOPIC
1	1. Introduction to Corporate Finance
2-3	2. Fundamental concepts and modern theories of corporate finance.
4-5	3. Models and algorithms for making corporate financial decisions.
6-7	4. Reading Financial Statement. Financial Analysis.
8-9	5. Financial Budgeting and Forecasting. Scenario and Sensitivity Analysis.
10-11	6. Selection and optimization of corporate finance structure.
12-13	7. Long-term investment decisions. Analysis and evaluation of the efficiency of investment projects.
14-15	8. The financial architecture of the corporation and the problems of its restructuring.

TOPIC 1. Introduction to Corporate Finance. (Week 1)



- Forms of organization of corporate structures and their classification (groups of companies, holding companies, etc.).
- Corporate Finance Principles.
- Corporate finance: concept, goals and objectives.
- The financial environment of the corporation.
- Financial market, financial institutions, financial instruments and corporation.
- Important aspects that differentiate the financial market towards the capital market.
- The contrast between the financial markets of developing countries towards the developed ones and how this affects financial decisions. What are the main reasons the national organizations prefer to register in other jurisdictions?
- The principles of building an effective corporate finance management system.
- Functions and responsibilities of the financial director.

TOPIC 2. Fundamental concepts and modern theories of corporate finance. (Week 2)



- Basic Concepts of Corporate Finance.
- Stakeholders of the company and harmonization of their interests.
- Management actions to maximize shareholders welfare.
- The organizational culture of the company.

TOPIC 2. Fundamental concepts and modern theories of corporate finance. (Week 3)



- Behavioral theories. THE Behavioural Model of Cyert and March.
Williamson's model.
- Jensen and Meckling's theory.
- The theory of efficient markets.
- Information asymmetry.
- Signal theory.
- Agent theory.
- The problem of maximizing the price.

TOPIC 3. Models and algorithms for making corporate financial decisions. (Week 4)



- Financial information: concept, features, institutions.
- Corporate financial disclosure models and standards.
- GAAP (Generally Accepted Accounting Principles), IFRS (International Financial Reporting Standards), NAS (National Accounting Standards).

TOPIC 3. Models and algorithms for making corporate financial decisions. (Week 5)



- Information structure reporting.
Interrelation of indicators of the main reporting forms.
- Current trends in the dissemination of corporate financial information.
- Features of the financial approach to the analysis of the corporation.
- The concept of the financial strategy and financial policy.

TOPIC 4. Reading Financial Statement. Financial Analysis (Week 6)



- Analysis of the financial position based on the balance sheet.
- Net current assets.
- The financial cycle versus the operating cycle.
- Working capital management policies.
- Stock management. Debt management. Loan and debt management in foreign currency.
- Analysis of financial performance based on the Profit and Loss Statement.
- Cash, cash flow and net profit of the company.

TOPIC 4. Reading Financial Statements. Financial Analysis. (Week 7)



- The system of financial rates of the company
- Indicators for the evaluation of the company. Available cash flow: FCFF (Free Cash Flow to Firm), FCFE (Free Cash Flow to Equity), FCFD (Free Cash Flow to Debt).
- Available cash flow elements. Sustainable growth - the basic objective of financial management.
- Value rates. EVA (Economic Value Added), MVA (Market Value Added), SVA (Shareholder Value Added), TSR (Total Shareholder's Return), CFROI (Cash Flow Return on Investment), CVA (Cash Value Added) or RCF (Residual Cash Flow) indicators - basic criteria for evaluating financial decisions.
- The advantages of using the EVA indicator in

TOPIC 5. Financial Budgeting and Forecasting. Scenario and Sensitivity Analysis. (Week 8)



- Sales forecasting: methods and techniques.
- Sales forecasting through simulation technique.
- Planning the necessary financing.
- Specific correlations of capital requirement with turnover.
- Sustainable growth.
- Self-financing growth.
- Developing the debt policy.

TOPIC 5. Financial Budgeting and Forecasting. Scenario and Sensitivity Analysis. (Week 9)



- Treasury budget.
- Forecasting of receipts and payments.
- Calculation and coverage of cash balances.
- Models of cash balance management.
- The Baumol model. The Miller-Orr model.
- Cash balance optimization: regression models.
- Techniques for forecasting financial statements.
- Estimating the growth rate of earnings.
- Budget control.
- Scenario and Sensitivity Analysis.

TOPIC 6. Selection and optimization of corporate financial structure. (Weeks 10)



- Sources of financing of a company. Principles of attracting additional capital.
- Public financing versus private financing.
- Financial leverage.
- The cost of different sources of capital. Issue costs. Marginal cost of capital. Methods for determining the cost of equity. The Gordon-Shapiro model. The Bates model. The CAPM model. Determining the cost of self-financing.
- Methods of determining the cost of borrowed capital. Calculation of the weighted average cost of capital (WACC) and its importance for the company's financing policy and financial decision making.
- Leasing financing.
- Financing decision and cost of capital in financial theory. The classical model of the cost of capital (Modigliani-Miller Model: in the absence of taxation and in conditions of taxation).

TOPIC 6. Selection and optimization of corporate financial structure. (Week 11)



- Optimal structure and the objective structure of capital.
- Leveraging and evaluating the decision regarding the capital structure.
- The influence of the capital structure on the financial risk and the price of the shares.
- Capital structure and agent theory.
- Capital structure and information asymmetry.
- Difficulties in determining the optimal capital structure.

TOPIC 7. Long-term investment decisions. Analysis and evaluation of the efficiency of investment projects. (Week 12)



- The importance of investment decisions to ensure the growth of the company.
- The financial elements of an investment.
- Adjusting the discount rate according to risk.
- Criteria for evaluating independent investment projects in a certain environment. Net Present Value (NPV); Profitability Index (PI); Accounting Rate of Return (ARR); Internal Rate of Return (IRR); Modified Internal Rate of Return (MIRR); Terminal Value (TV).

TOPIC 7. Long-term investment decisions. Analysis and evaluation of the efficiency of investment projects. (Week 13)



- Analysis of investment projects in an uncertain environment. Sensitivity analysis. The decision tree. Scenario technique. Monte Carlo technique.
- Evaluation of investment projects through the mechanism of options.
- Selection between several investment projects with different schemes for generating cash flows.
- Investment portfolio.
- The replacement decision and the divestiture decision.
- Control over project implementation.
- Sources of financing of investment projects.

TOPIC 8. The financial architecture of the corporation and the problems of its restructuring. (Week 14)



- Financial crisis management of companies.
- The essence and classification of the financial difficulty of the entity.
- Objectives and stages of the crisis management process at the microeconomic level.
- Fundamental diagnosis of the financial crisis of the entity.
- Financial management of the stabilization, reorganization and liquidation processes of the economic entity.
- Elaboration of the liquidation / financial sanitation plan of the entity.

TOPIC 8. The financial architecture of the corporation and the problems of its restructuring. (Week 15)



- The essence and role of mergers in increasing the value of the company.
- Target firm evaluation. Horizontal merger. Vertical merger. Congeneric merger.
- Friendly merger. Hostile takeover. The poison pill. The white knight.
- LBO acquisition (on debt) and related transactions.
- Divestitures. Spin-off and carve-out. Breakup value.
- Control with fractional ownership.

TEACHING METHODOLOGY



- In the teaching of the discipline are mainly used interactive methods: problem-solving, case study, heuristic methods by which the student is stimulated to find solutions through the outcome of his own learning activity, interactive-creative learning, discussion, brainstorming, role-play, E-learning MoodleUSM.md (<http://moodle.usm.md/moodle/>), but also traditional methods like: lecture method to introduce a subject, present basic material, to illustrate application of rules, principles, or concepts, graphic representations etc.
- The forms of organizing the training at course are made up of lectures, seminars, guiding the individual activity and group work, extra-curricular activity of financial education

TEACHING METHODOLOGY



- In the lectures are taught the basic concepts of the themes of the discipline, methods and tools used in the management of the financial processes, etc. The purpose of the seminars is to examine the most complicated concepts, to solve problems related to the topics studied, to discuss case studies. During seminar, students are tested on the level of learning, the presentation of the individual or group work.
- Individual work involves preparing for the seminars in accordance with the objectives set in the syllabus, problem-solving or case study.
- If necessary, the student has the possibility to get a personal teacher's consultation.

LABOUR MARKET RELEVANCE



- Based on the analysis results from WP 1 (Annex 1B, Figure 16-18) the most important FINANCE - specific skills and competencies of current employees - Level of the MA graduates is: Budgeting and financial planning, IT and math skills. Features of this specialty consist in the need for students to develop knowledge and skills in the field of financial management. The peculiarities of the orientation of these competencies allow uniting financial and accounting activities and creating universal specialists for the national economy, which certainly will provide them with undoubted advantages in the job placement. This course aims at training competencies for CFOs at company level. The purpose of the CFO is to maximize the value of the companies through three types of decisions: in which projects to invest, how to finance the respective investment and how to manage the cash flows of the company. According to the Classification of Occupations in Moldova, discipline Financial and Actuarial Calculations at the National and International Level, will create the specialists for following occupational posts: 1120 Directors-General, Executive Directors and Assignees, 1211 Financial heads, 1213 Heads in the field of economic and planning policies, 1346 Heads of units providing financial and insurance services, 2412 Financial and investment specialists and

ASSESSMENT AND GRADING



Means of assessment by discipline: oral survey; control testing; individual and team solution of tasks set by teachers, final control of knowledge in the form of final work.

General mark is determined as a weighted average as follows:

- Current evaluation including individual work product – 60%;
- Final exam (final assessment) - 40%;

The **current assessment** will be done by two intermediate tests and a case study

Final evaluation - written exam, which includes 40 Multiple choice questions and 2 open questions. Requirements to pass the course:

1. to obtain the minimum promotion mark (E) for participating during the seminars;
2. to obtain the minimum promotion mark (E) for final case study.
3. to obtain the minimum promotion mark (E) for final exam.

REFERENCES



Textbook

- **Cojocaru Maria**, Șestacovscaia A., Mihalachi R. Fundamentals of Financial Management. Ch.: CEP USM., 2017, 174 p.
- Brealey R., Myers S., Marcus A. Fundamentals of Corporate Finance, The McGraw Hill Companies, 2001
- Halpern Paul, J. Fred Weston, Eugene F. Brigham, Canadian Managerial Finance; ISBN-13: 978-0039219932; ISBN-10: 0039219933
- Ross, S., Westerfield R., Jaffe J., Corporate Finance, McGraw Hill, 2005.
- Pike, Richard (Richard H.) Corporate finance and investment: decisions & strategies/Richard Pike and Bill Neale. — 6th ed. p. cm. ISBN 978-0-273-71550-4
- Ковалев В.В. Введение в финансовый менеджмент, - М. Финансы и статистика, 2007.

REFERENCES



Articles:

- Cojocaru M. *Mergers and acquisitions - mechanism of concentration of capital and economic growth* In: Materials of the National Scientific Conference with International Participation "Integration through Research and Innovation", Section "Legal and Economic Sciences", 10 - 11 noiembrie 2015. CEP MSU. Chişinău, 2015, pg. 256-257.
- Cojocaru M., Mammadova U. *Theoretical aspects of the financing of mergers and acquisitions transactions*. In: Materials of the National Scientific Conference with International Participation "Integration through Research and Innovation", 9 - 10 noiembrie 2017, MSU. - Chişinău, pg. 341-344.
- Cojocaru M., Hromei Anca-Simona. *Mergers and Acquisitions - a Means of Improving Economic Performance*. In: Materials of the International Scientific Conference "Innovation, Performance and Competitiveness in the Financial Sector", 30 -31 octombrie 2015. CEP USM. Chisinău, 2015, pg. 217-226

COURSE ASSIGNMENT 1



The current assessment consists of:

- two intermediate tests (Multiple-Choice Test) (each test have 20% in the General mark);
- a case study elaborated in groups of 4 students, presented one week before the exam (20% in the General mark).

Assessment of the case study:

Criteria Grade Scale

A	B	C	D	E
Reasonable and original application of theoretical ideas to the analysis of the current situation, active participation in the development of a collective solution	Adequate application of theoretical ideas to the analysis of the current situation, active participation in the development of a collective solution	Satisfactory application of theoretical ideas to the analysis of the current situation, partial participation in the development of a collective solution	Weak application of theoretical ideas to the analysis of the current situation, delegation of a significant part of the work to other team members	Weak application of theoretical ideas to the analysis of the current situation, unwillingness to work in a team

COURSE ASSIGNMENT 2

Final assessment (Exam)



Final evaluation - written exam, which includes 40 Multiple Choice questions (MCQ) for which 1 point is awarded and 2 Open questions (10 and 20 points).

Minimum requirements for pass exam:

- Obtaining the minimum promotion semester mark 5,0 (E), which is formed as a weighted average of the evaluation for: two intermediate tests, case study assessment and evaluation during the seminars.

Points	1 - 5	6 - 10	11 - 20	21 - 30	30 - 40	41 - 50	51 - 57	58 - 64	65-68	69 - 70
Mark	1	2	3	4	5	6	7	8	9	10



THANK FOR ATTENTION

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