



Topics Course Corporate Finance

Outline:

In the WS 2013/2014 we provide a topics course on corporate finance. This course introduces to advanced concepts of optimal corporate financial decision making. The first part of the course is devoted to an introduction to interest rates and the valuation of bonds and stocks. The second part establishes an intuition for understanding risk and return and explains the distinction between diversifiable (idiosyncratic) and systematic risk. Furthermore, in this part the details of mean-variance portfolio optimization are developed. The last part of the course focuses on the capital structure. In particular, the trade-off between the effects of tax benefits and bankruptcy costs from debt financing will be analyzed.

The course is split in two parts. The first part is in lecture style and will introduce to basic concepts of corporate financing. In this part of the course we might offer tutorials from time to time to enhance the understanding. The second part starting after Christmas is in seminar style. Participants are expected to present advanced chapters of the books in the reference list as well as some research papers.

This course is intended for advanced students, especially master students in the finance profile, as well as other students in their final year. A pre-registration is required as seminar topics are limited.

Instructor:

Prof. Dr. Eva Lütkebohmert-Holtz and Daria Lavrentev, Department of Financial Mathematics, Faculty of Economics and Behavioral Sciences, University of Freiburg

Participants:

This course is primarily intended for students in the second year of the master program. Students in the finance profile of the IMP will have priority.

Pre-registration is required. Applications for the seminar including transcript and short CV can be sent to Daria Lavrentev until September 30th, 2013 (daria.lavrentev@vwl.uni-freiburg.de).

Prerequisites:

Principles of Finance. We also encourage participants to simultaneously take the course *Futures and Options*.

Course Schedule:

The first meeting is scheduled on Monday, October 21st, at 2pm in room 3219.

The course will take place twice a week on **Mondays from 2-4pm in room HS 3219** and on **Wednesdays from 8-10am in room HS 1199**.

ECTS (credit points):

6 ECTS based on

- 60min written exam at the end of the term
- Seminar presentation during second half of the course
- Seminar paper to be handed in until end of February

The course can be dropped without penalty until end of October. Thereafter withdrawal will count as a failed examination. The course can be accounted for the M.Sc. VWL in the area of BWL and for the M.Sc. Economics for the Finance profile.

Main References:

Berk, De Marzo, “Corporate Finance – The Core”, 3rd Edition, Pearson Education, 2014.

Brealey, Myers, Allen “Principles of Corporate Finance”, 10th Edition, McGraw-Hill, 2011.

He and Xiong, “Rollover Risk and Credit Risk”, *Journal of Finance* 67(2): 391-429, 2012

Hull, “Options, Futures and Other Derivatives.” 7th ed., Prentice Hall, 2009.

Leland, “Corporate Debt Value, Bond Covenants, and Optimal Capital Structure”, *Journal of Finance* 49(4): 1213-1252, 1994.

Leland and Toft, “Optimal Capital Structure, Endogenous Bankruptcy, and the Term Structure of Credit Spreads”, *Journal of Finance* 51(3): 987-1019, 1996.

Welch, “Corporate Finance – An Introduction”, Pearson Education, 2008.

Additional Information:

<http://www.finance.uni-freiburg.de/lehre>