

# SUBJECT DATASHEET CORPORATE FINANCE I. BMEGT35A012

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# I. SUBJECT DESCRIPTION

# 1. SUBJECT DATA

Subject name

CORPORATE FINANCE I.

ID (subject code) BMEGT35A012

Type of subject contact lessons

Course types and lessonsType ofTypeLessonsassessmentLecturemid-term grade

Lecture 1
Practice 1

Laboratory 0 Number of credits

**Subject Coordinator** 

Name Position Contact details

Dr. Bethlendi András associate professor bethlendi.andras@gtk.bme.hu

Educational organisational unit for the subject

Department of Finance

**Subject website** 

https://edu.gtk.bme.hu

Language of the subject

magyar - HU; angol - ENG

Curricular role of the subject, recommended number of terms

Programme: Business administration and management Bachelor's Programme from 2021/22/Term 1

Subject Role: Compulsory Recommended semester: 3

Programme: Engineering Management Bachelor's Programme from 2015/16/Term 1

Subject Role: Compulsory Recommended semester: 3

Programme: Engineering Management Bachelor's Programme from 2017/18/Term 1

Subject Role: Compulsory Recommended semester: 3

Programme: Engineering Management Bachelor's Programme 2010

Subject Role: Compulsory Recommended semester: 3

Programme: International Management Bachelor's Programme from 2018/19/Term 1

Subject Role: Compulsory Recommended semester: 3

Programme: International Management Bachelor's Programme from 2020/21/Term 1

Subject Role: Compulsory Recommended semester: 3

Programme: Finance and Accounting Bachelor's Programme from 2019/20/Term 1

Subject Role: Compulsory Recommended semester: 1

Programme: Business Administration and Management Bachelor's Programme from 2018/19/Term 1

Subject Role: Compulsory Recommended semester: 3

Programme: International Management Bachelor's Programme from 2022/23/Term 1

Subject Role: Compulsory Recommended semester: 3

**Direct prerequisites** 

Strong None Weak None Parallel None Exclusion None

# **Validity of the Subject Description**

Approved by the Faculty Board of Faculty of Economic and Social Sciences, Decree No: 580.417/2/2018. (Agenda 2.) Valid from June 27, 2018

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# 2. OBJECTIVES AND LEARNING OUTCOMES

#### **Objectives**

The subject is designed to give the students a broad overview of financial goals and assets of corporations (PLCs), to get them acquainted with project evaluation techniques and methods for supporting decision making. The subject deals with the examination of financing opportunities for corporations, investors' considerations, yield and risk re- lation and asset evaluation processes on financial markets. Teaching focuses on enabling students to adapt their theoretical knowledge in practice and motivating them to do further research in the field.

#### **Academic results**

#### Knowledge

- 1. financial goals and assets of corporations,
- 2. evaluation methods for preparing and making corporate investment and financing decisions,
- 3. processes providing basis for the evaluation of assets on financial markets,
- 4. pricing of real-and financial assets,
- 5. evaluation methods for corporate projects,
- 6. fiancial contexts of decision-making processes.

#### Skills

- 1. plan and organize independent learning,
- 2. comprehend and use the professional literature of the topic,
- 3. recognize the contexts behind financial decisions,
- 4. make calculations supporting decisions.

#### Attitude

- 1. are open to learn and adapt the innovations in finance,
- 2. collaborate with their instructors and student mates during the learning process,
- 3. gain knowledge and information,
- 4. take use of ICT tools.

## Independence and responsibility

- 1. are open to accept reliable critical remarks
- 2. collaborate with other students in performing assignments during the learning process
- 3. are able to make independent decisions
- 4. are capable of reasonable consideration in the financial decision-making processs
- 5. can weigh the significance of their responsibilities and foresee the consequences of their decisions

#### **Teaching methodology**

Lectures, verbal and written communication, use of ICT tools and techniques, optional home assignment.

## **Materials supporting learning**

- Pálinkó-Szabó: Vállalati pénzügyek, Typotex 2006.
- Vállalati pénzügyek. Példatár és esettanulmányok, Tankönyvkiadó 2008.
- Textbooks, notes, slides, downloadable learning materials
- Compulsory literature: Brealey-Myers: Principles of Corporate Finance (at least 7th edition), McGraw-Hill. Szabó-Pálinkó

# II. SUBJECT REQUIREMENTS

#### TESTING AND ASSESSMENT OF LEARNING PERFORMANCE

#### **General Rules**

Assessment of the learning outcomes described under 2.2. is based on two written mid-term tests ("summarizing study performance test")

and optional home assignment.

#### Performance assessment methods

- The complex written assessment of knowledge and skill competencies of the subject is based on two mid-term tests during the semester.

The tests focus on practical adaptation of the knowledge students gained in the learning process, which does not exclude testing theoretical

knowledge. The parts of the learning material for the tests are selected by the lecturer of the subject. Working time for test writing is 50 minutes/test. - Partial study perfprmance assessment (optional home assignment): The complex written assessment of knowledge, skill, attitude, independence and responsibility competencies of the subject is based on two mid- term tests during the semester and an optional home assignment done individually. The content, require- ments, submission deadline and assessment of the home assignment

are given by the lecturer.

#### Percentage of performance assessments, conducted during the study period, within the rating

- Summarizing study performance test 1: 50 pont (50%)
- Summarizing study performance test 2: 50 pont (50%)
- **total**: 100 pont (100%)
- Optional home assignment: + 10 pont az elért pontokhoz hozzáadódik (az ered- ményt javíthatja)

## Percentage of exam elements within the rating

#### Conditions for obtaining a signature, validity of the signature

According to TVSZ.

#### **Issuing grades**

Excellent	90
Very good	80-90
Good	70–80
Satisfactory	60-70
Pass	40-60
Fail	40

#### **Retake and late completion**

- As neither of mid-term tests determines pass marks, they cannot be retaken or made up for separately; stu- dents can retake for it only in the form of one contracted test paper during make-up period free of charge.

#### Coursework required for the completion of the subject

Participation in contact lessons 14×2=28
Preparing home assignment 10
Learning written learning material 52
total 90

# **Approval and validity of subject requirements**

Consulted with the Faculty Student Representative Committee, approved by dr. Lógó Emma, Vice Dean for Educa- tion, valid from September

1, 2018

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# III. COURSE CURRICULUM

## THEMATIC UNITS AND FURTHER DETAILS

#### Topics covered during the term

Subject includes the topics detailed in the course syllabus to ensure learning outcomes listed under 2.2. can be achi- eved. Timing of the topics may be affected by calendar or other circumstances in each semester.

- 1 The goal of the company, The value of the company, The balance sheet modell, Strategic/operational decisions, Types of businesses, Principal-agent problem
- 2 The time value of money, Future values and compound interest, Present values, FV of multiple cashflows, The capitalized value of an asset, The NPV rule, Level cash flows/per-petuities, Inflation and the time value of money, inflation and interest rates
- 3 Present and future value of annuity-immediate/annuity due, Effective annual interest rates , Internal rate of retun (IRR), Issues with IRR
- 4 Financial planning, Financial planning models, The balance sheet, Book values and mar- ket values, The income statement, The statement of cash flows, Measuring company performance, The role of financial ratios
- 5 Working capital management and short-term planning, Sources of short-term financing, bank loans, commercial paper, secured loans, the cost of bank loans, Cash and inventory management
- 6 Valuing bonds, Bond characteristics, Bond prices and yields, Yield to maturity versus cur- rent yield, Rate of return, Interest rate risk, The yield curve, Default risk, Valuations in corporate bonds
- Stocks and the stock market, valuing common stocks, The constant-growth dividend dis- count model, Estimating expected rates of return, The price-earnings ratio, Risk, return, the opportunity cost of capital, measuring risk, Variance and standard deviation, measuring the variation in stock returns, risk and diversification, Market risk versus uni- que risk, CAPM
- 8 MID-TERM TEST I
- 9 Investment criteria, net present value, risk and present value, Valuing long-lived projects, internal rate of return, the rate of return rule, calculating the rate of return for long-lived projects
- 10 Investment criteria when projects interact, mutually exclusive projects, investment ti- ming, mutually exclusive projects and the IRR rule, other pitfalls of the IRR rule, Capital rationing
- 11 Discounted cash-flow analysis, Discounting incremental cash flow, Indirect effects, sunk costs, opportunity costs, allocated overhead costs, discounting nominal cash flows, cal- culating cash flow, Capital investment, Investment in working capital, Cash flow from operations
- 12 Capital budgeting and project risk, The cost of capital, calculating the weighted-average cost of capital (WACC), Taxes and the weighted average cost of capital, Measuring capital structure, Interpreting the WACC
- 13 Summary of the course, Numerical exercises
- 14 MID-TERM TEST II
- 15 RETAKE-TEST

#### **Additional lecturers**

Dr. Solt Eszter Éva . solt@finance.bme.hu

# Approval and validity of subject requirements

Part I-III of the Subject Form is to be approved by the Head of Department of Finance named under 1.8.

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