

Syllabus

Finance (part-time)

- **Instructor:** Adam Zawadowski (see last page for bio sketch)
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Office hours: by appointment
- **Instructor 2:** Mihaly Ormos (ELTE)
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- **Credits:** 3 (6 ECTS)
- **Term:** Winter 2017-2018
- **Course level:** KEMBA
- **Prerequisites:** Accounting

Course description

The aim of the course is to provide a broad understanding of the principles and techniques of finance, and to apply these to decisions faced by financial managers. The learning objectives will be achieved through the discussion of both theory and real-world applications.

Understanding the problems covered in the course will be important to all students seeking a career in business. For the importance of finance education please see "Financial Illiteracy Rampant in the Corporate World", Financial Times 15 Aug 2014.

<http://www.ft.com/cms/s/2/eac4fa8a-c0c5-11e3-bd6b-00144feabdc0.html#axzz3JPLI35Rg>

Learning outcomes

Core Learning Area	Learning Outcome
Interpersonal Communication Skills	Participate in class discussions and problem solving exercises. Present arguments and findings. Objectively critique findings of fellow students.
Technology Skills	Use of MS Excel tools in problem solving.
Cultural Sensitivity and Diversity	Harness international and professional diversity of students in viewing issues and problems from different perspectives.
Quantitative Reasoning	Apply financial models and formulae.
Critical Thinking	Exercise the powers of inquiry, logical thinking and critical analysis. Interpret and evaluate theoretical arguments and empirical evidence.
Ethics and Social Responsibility	Evaluate and discuss challenges related to corporate governance, social responsibility and ethical and professional behavior.
Management Knowledge and Skills	Attain a broad understanding of the principles and techniques of finance and financial decision making.

Reading list

All course materials will be distributed electronically on the Moodle e-learning website.

The main textbook is:

Ross, Westerfield and Jordan, *Fundamentals of Corporate Finance*, 11th ed., McGraw-Hill, 2016.

Earlier versions are also acceptable. The below are largely equivalent textbooks:

Ross, Westerfield, Jaffe and Jordan, *Corporate Finance: Core Principles and Applications*, 5th ed., McGraw-Hill, 2018.

Berk and DeMarzo, *Corporate Finance*, 4th ed., Pearson, 2016.

Students should read the *Financial Times*, the *Economist*, the *Wall Street Journal* and other business publications for real-world examples that relate to class topics.

Assessment

Grading will be based on the total score out of 100, in line with CEU's standard grading guidelines.

- Problem solving (20%)
- Class participation (20%)
- Final exam in last class (30%)
- Group project (30%)

Group project

Students will be asked to form groups of 4-5, and analyze a non-financial company of their choice along the broad topics discussed in class. Details will be formally announced. Each group will present and defend its analysis in the last class.

Class participation

Class participation includes attendance, attitude, and volunteered and cold call responses.

Problem solving

Class practice questions and homework assignments will be posted on Moodle. Students must submit their solutions to the homework assignments on Moodle BEFORE the following class.

Final exam

The final exam will be a 90-minute closed-book comprehensive exam covering the first 5 classes. The exam will be held in the final class.

Course schedule and materials for each session

1. Basic Principles of Finance

We cover the basic principles of finance. We address the concept of present value and its application in the valuation of financial investments and assets. *Reading: RWJ Chapters 1-8.*

2. Investment Appraisal, Capital Budgeting, and Risk

We examine the relation between investment appraisal, the cost of capital, and risk. We highlight capital budgeting problems. *Reading: RWJ Chapters 9-11.*

3. Capital Market Theory and Return vs. Risk

We introduce the theoretical relation between risk and return. We examine portfolio theory and the concept of risk diversification. The Capital Asset Pricing Model is derived, the empirical validity of the model is addressed. We introduce the key elements of corporate finance. *Reading: RWJ Chapters 12-13.*

4. Theoretical Foundations of Capital Structure

We explore the foundations of optimal capital structure with respect to the cost of capital. We study the Modigliani and Miller propositions and the signaling and agency effects of debt. *Reading: RWJ Chapters 14-16.*

5. Capital Structure in Practice

We consider the debates surrounding dividend policy. We discuss Modigliani and Miller's arguments, the tax clientele effect, and signalling problems. We also discuss financial planning and cash management. *Reading: RWJ Chapter 17.*

6. Group Presentations and Final Exam

Brief bio of the instructor

Adam Zawadowski is an Assistant Professor in the Department of Economics at the Central European University since 2015. Prior to joining CEU, he was an Assistant Professor of Finance at Boston University Questrom School of Business. He has received his MSc from Budapest University of Technology and Economics in engineering-physics, his MA from Central European University in economics and his PhD from Princeton University in economics. His primary research interest is in financial frictions, liquidity, credit default swaps, information acquisition, and financial networks.