The aim of this course is to present the tools and techniques that will allow the students to think strategically when facing financial problems inside or outside a given firm. The course will start analyzing the basic functions of the treasurer and controller of the firm: the information they must know along with their interpretation and use.

To understand the functions of the treasurer, the most important tools to learn are based on financial mathematics which will be helpful to understand the time value of money, to understand how cash flows in different periods should be compared and how this mathematics can be used in a firm to maximize its value or, from an investor perspective, to determine the firm’s value. Moreover, it will be introduced the way in which short and long term debt instruments are valued and how the CFO can use them in behalf of the firm.

Related to the controller’s function, the course will present an exposition of the cost of capital, how a given capital structure can influence the future investment and financial decisions and, how these decisions exert an influence on the actions of different financial agents (investors and lenders). For this, a brief introduction to financial accounting will be presented in order to familiarize the students with the basic financial statements, with the way these statements are constructed, showing what is the relationship among the different components of each statement and, most importantly, what kind of information can be obtained from them and how they can be used.

Finally, with the knowledge of the previous topics, the course will cover the basics of firm valuation under uncertainty. For this, some game theory will be presented and discussed in class, focusing on its empirical application and how this can help to perform financial strategies to maximize the firm value.

The grade will be based on:

Class participation 25%
Three exams 75%

The content of the exams will be based on the topics covered during the previous week of class with a focus on strategic decisions that potentially could help the firm to maximize its value. The time of each exam will be of 30 minutes. The class participation is crucial as soon as it will allow the spread of opinions and experiences that will increase the class quality. Open questions and real case problems are encouraged during the whole class.

Some interesting readings related to the topics to be covered in the present course are presented below.
I. Empirical Measurement in Corporate Finance


2. R. W. Masulis, "Leverage Ratios and Financing Decisions: The Empirical Evidence." The Debt/Equity Choice Ch. 1

3. R. W. Masulis, "Capital Structure Change and Its Relation to Firm Value." The Debt/Equity Choice Ch. 2


II. Debt and Taxes

1. R. W. Masulis, "Tax Effects of Capital Structure." The Debt/Equity Choice Ch. 3


III. Corporate Dividends


IV. SEO’s and IPO’s


V. Alternate Valuation Plans


VI. Bankruptcy


VII. Agency Problems in Corporate Finance

1. R. W. Masulis, "Debt/Equity Agency Costs" The Debt/Equity Choice Ch. 5

2. R. W. Masulis, "Stockholder-Manager Conflicts of Interest" The Debt/Equity Choice Ch. 6


VIII. Bank Lending

