**Fundamentals of Finance**

PROFESSOR

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DESCRIPTION

This course provides students with the essential concepts in finance, as well as operational decision-making tools. Financial managers’ issues will be covered and analyzed. The principle of corporate finance will be illustrated and discussed through lessons, lots of exercises and case discussions.

OBJECTIVES

Upon completing Fundamentals of Finance, the student will:

* understand the role and activity of a financial manager,
* be able to explain and apply the concept of NPV , DCF and IRR,
* be able to explain the concept of risk in financial markets applied to discount rates,
* be able to explain and calculate company cash flow at various levels (Operational Cash Flow, Free Cash Flow, Change in Cash) using company financial statements (Profit & Loss and Balance Sheets),
* be able to illustrate the main themes regarding financing to companies and define the Debt/Equity structure,
* be able to evaluate simple and complex investments and companies with the instruments of financial theory.

Content

1. Introduction to main concepts of finance
	* The function of finance
	* Firm and Financial statements and reports
	* The role of Financial Manager
	* The most important concepts in Finance
2. constructing cash flows
	* Importance of cash flows
	* Learning to build a cash flow in steps
	* Cash flows and firm evaluation
	* Compounding and discounting

3. Value of money in time

* + Present value and net present value
	+ Perpetuities
	+ Examples
		1. Investments decisions
	+ Methods: payback, IRR, profitability, EVA
	+ confronting different decision methods : advantages and pitfalls
	+ Financial analysis and planning
	+ Introductionto risk and return relationship
		1. International Capital markets
	+ what they are, how they work
	+ different market segments and instruments traded

derivatives and structured finance overview

* + 1. equity capital
	+ Definition of equity capital
	+ Share evaluation methods
	+ Equity capital markets and IPOs
		1. Bonds and debt capital
	+ Difference with equity
	+ Bond mathematics
	+ Interest rate risk
	+ Other borrowing risks
	+ Fixed income capital markets: New bonds issue

8- 9. Capital Budgeting

* a real case of a multinational corporation : FIAT Group
* an investment decision to be made by students: exercise

BIBLIOGRAPHY

* Brealey, Myers, Allen : “Corporate Finance” , 2006 , 8th ed. McGraw Hill
* Merrill Lynch “understanding financial reports, 2003, available at student’s office
* A. Damodaran “Damodaran on valuation “ Wiley finance 2ns edition

TEACHING MATERIAL (supplied by the instructor)

Pre-readings

Course slides

Exercises (to be done in class)

Cases (to be prepared before class)

Videos

**TEACHING MATERIAL AND ADDITIONAL READING**

PRE-READING HOME ASSIGNMENT : read HBS “Introduction to financial ratios and financial statement analysis”

PRE- READING HOME ASSIGNMENT: read HBS “Calculating free cash flows”

Assessing a firm’s future financial health ( HBS note)

“Introduction to accumulated value, present value and IRR” HBS 9-173-003, 28 sept 2000, by J. Hammond