

Course Title	Corporate Finance I					
Course Code	AFIN203					
Course Type	Elective					
Level	BA (Level 1)					
Year / Semester	3rd year/ Fall					
Teacher's Name	Dr Nicos Koussis / Dr Antonis Michis					
ECTS	6	Lectures / wee	ek 3	Labo	oratories/week	
Course Purpose	The purpose of the course is to introduce students to additional topics relating to corporate finance. We cover an introduction to investments strategies by mainly focusing on the principles of portfolio theory and the theory of market efficiency. We also explain alternative theories of dividend policy and capital structure. Based on the latter, we explain the tax advantages and risks of using debt and implement discounted cash flow valuation by properly incorporating the tax benefits and risks of leverage. Additional topics include an introduction to merger and acquisition and valuation and an introduction to option theory.					
Learning Outcomes	 Outline the alternative theories of dividend policy and explain the dividend irrelevancy argument Calculate mean, variances and correlations between assets and portfolio expected returns, risk and explain the concept of diversification List the different forms of Market Efficiency and demonstrate its implication for the determination of value of shares and the movement of stock returns Calculate beta risk based on historical returns and explain risk based on CAPM model in connection to portfolio theory Derive the tax benefits of debt and use weighted average cost of capital to make investment decisions with debt financing Illustrate the characteristics of options and their use for hedging risk and derive payoff diagrams of options, value financial options, using Plack and 					
	porate e in m	investment dec	uisitions and			
	value merger gains					
Prerequisites	AFIN101, AI	FIN102	Corequisites		None	

AFIN203 - Corporate Finance I

1. I.I. 1: ΔΙΠΑΕ ΦΟΡΕΑΣ ΔΙΑΣΦΑΛΙΣΗΣ ΚΑΙ ΠΙΣΤΟΠΟΙΗΣΗΣ ΤΗΣ ΠΟΙΟΤΗΤΑΣ ΤΗΣ ΑΝΩΤΕΡΗΣ ΕΚΠΑΙΔΕΥΣΗΣ CYQAA THE CYPRUS AGENCY OF QUALITY ASSURANCE AND ACCREDITATION IN HIGHER EDUCATION



Course Content	Dividend policy:					
	Explain the different types of dividend payments					
	 Critically analyse the practical considerations concerning dividend policy. Evaluate the dividend irrelevancy argument 					
	List empirical research concerning dividend policy					
	Portfolio theory:					
	 Calculate means, variances and correlations of assets based on historical returns or scenarios 					
	 Calculate portfolio expected returns and risk (volatility) 					
	 Explain the concept of diversification, feasible investment set, minimum variance set and efficient set 					
	Explain investor preferences in mean-variance space					
	 Calculate portfolio expected returns by investing in risk-free and risky portfolios 					
	 Calculate efficient portfolios with the risk-free asset and explain the optimal capital allocation line with investments in risk-free and Market portfolio. 					
	The Efficient Market Hypothesis:					
	Explain the definition of the Efficient Market Hypothesis					
	 Explain the different forms of Market Efficiency: Weak form, Semi- Strong form, Strong Form 					
	 Explain the implication of Market Efficiency for the determination of share prices and of stock returns 					
	 Other implications of Market Efficiency and market anomalies (empirical deviations from Market Efficiency, for example the size effect) 					
	The Capital Asset Pricing Model:					
	 Interpret the Capital Asset Model and determination of risk based on the CAPM 					
	 Calculate betas based on historical returns of an asset and the market index 					
	 Calculate portfolio of assets betas and find the cost of equity capital based on risk 					
	 Use CAPM for capital budgeting problems. Explain the use of portfolio beta for firms with multiple assets 					
	 Alternative theories of risk determination: the Consumption CAPM and arbitrage pricing theory 					
	Financing and the Cost of Capital:					
	Explain the tax advantage of debt					





	notes and other course material like spreadsheet examples are available to students through the web.				
Bibliography	 (a) Textbook: Brealey, R., Myers, S., and F. Allen, Principles of Corporate Finance, McGraw Hill, 13th edition, 2019 CFA Program Curriculum 2020 Level I-III, Wiley 				
	(b) References: Bodie Z., Kane A. and Alan Marcus Investments, McGraw-Hill Education; 11 edition (May 30, 2017)				
Assessment	 (a) Methods: Students will be assessed with course work that involves written and online assignments (quizzes), a midterm and a final test. The course involves both explaining concepts and numerical problems. (b) Criteria: Assessment criteria are available in each written assignment, midterm or in the final exam (c) Weights: Assignments (& online quizzes) 10% Midterm 30% Final Exam 60% 				
Language	English language				

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