

Course unit title:	Corporate Finance II		
Course unit code:	AFIN204		
Type of course unit:	Elective		
Level of course unit:	Bachelor (1 st Cycle)		
Year of study:	2		
Semester when the unit is delivered:	4 (Spring)		
Number of ECTS credits allocated:	6		
Name of lecturer(s):	Dr. Nicos Koussis		
Learning outcomes of the course unit:	<ol style="list-style-type: none"> 1. Explain sensible and dubious motives for mergers and acquisitions and apply valuation methods for mergers with different capital structures 2. List the characteristics of forwards and futures, explain their use 3. Explain the no arbitrage argument and the valuation of forwards and futures 4. Explain risk-neutral valuation method for the pricing of options. 5. Appraise different types of options using binomial trees and analytic methods 6. Explain the importance of risk management and apply risk management tools based on option theory in practice 7. Apply option pricing theory for the valuation of firms corporate assets and liabilities 8. Use programming software to develop models and analyse data in financial problems 		
Mode of delivery:	Face-to-face		
Prerequisites:	AFIN102	Co-requisites:	None
Recommended optional program components:	None		
Course contents:	<p>Mergers and Acquisitions: economies of scale, economies of vertical integration and other efficiency gains arising from mergers and acquisitions, type of growth opportunities achieved through mergers and acquisitions, dubious reasons for mergers and acquisitions, valuation of merged businesses having different capital structures</p> <p>Forwards and Futures: definitions, examples of using forwards and futures for hedging risk, valuation of forwards and futures on stocks or stock indices with/without dividends, forwards and futures on foreign currency, valuation of commodity futures, the cost-of-carry and convenience yield, differences between forward and future contracts</p> <p>Option pricing theory: basic no arbitrage restrictions for options and put-call parity, dividends and optimal early exercise of American options, risk-neutral pricing and the derivation of binomial tree parameters for option pricing, binomial trees for pricing of options of various types</p> <p>Risk management: risk management using options and futures, delta hedging and other Greeks, swaps and interest rate risk</p> <p>Application of option pricing theory in the valuation of corporate assets and liabilities: Merton's model for the valuation of equity and risky debt and credit spreads, sensitivity analysis on Merton's model, extensions of Merton's model with endogenous default, Recent developments of option pricing theory (Leland's model, Mauer and Sarkar etc)</p> <p>Use programming software to develop models and analyse data: Introduction</p>		

	to R programming for modelling financial phenomena, Using R programming to analyse data, Applications to models developed in class
Recommended and/or required reading:	Copeland, T., F. Weston , K. Shastri Financial Theory and Corporate Policy , Addison-Wesley, 2004 M. Crouhy, D. Galai, and R. Mark, Risk Management , McGraw-Hill, 2001
Textbooks:	Brealey, R., Myers, S., and A. Marcus, Principles of Corporate Finance , McGraw Hill, 12 th edition J. Hull Options, Futures and Other Derivatives , Pearson-Prentice Hall, 9 th ediion
References:	
Planned learning activities and teaching methods:	The taught part course is delivered to the students by means of lecturers, conducted with the help of computer presentations and the use of the board. Lecture notes and other course material like spreadsheet examples are available to students through the web.
Assessment methods and criteria:	<ul style="list-style-type: none"> • Midterm Test 30% • Project/Assignments 10% • Final Exam 60%
Language of instruction:	English
Work placement(s):	No