INSEAD Master in Finance
Degree Construct and Curriculum Summaries

The INSEAD Master in Finance degree is a part-time post-graduate programme undertaken through 5 modules (totalling 12 weeks) spread over approximately twenty months. Successful candidates will graduate from INSEAD, the international business school based in France, Singapore and Abu Dhabi with a Master in Finance.

The degree covers study in 5 curriculum modules whose courses equate to 15 study units. All units of study are compulsory. Listed below are the modules and the courses that currently comprise each module, and their individual unit value:

Module 1: Core courses (3 Units)

Specific Courses:
- Finance I - Financial Markets and Corporate Finance (1.5 units)
- Accounting I: Financial Accounting and Managerial Accounting (1 unit)
- UDJ – Introduction to Modelling (0.5 unit)

Module 2: Core courses (3 Units)

Specific Courses:
- Finance II - Capital Markets and Corporate Finance (2 units)
- Accounting II: Advanced Issues in Accounting (1 unit)

Module 3: Concentration (4 Units)

Corporate Finance:
Specific Courses:
- Advanced Valuation (0.5 unit)
- International Corporate Finance (0.5 unit)
- Project Finance (0.5 unit)
- Venture Capital Finance (0.5 unit)

Financial Markets:
- Equity Investment (0.5 unit)
- Fixed Income (0.5 unit)
- Options and Derivative Investments (0.5 unit)
- Asset and Liability Management in Banking (0.5 unit)

Module 4: Electives (2 Units)

Specific Courses:
- Corporate Governance
- Advanced Accounting
- Integrated Risk Management and Practice
• Asia-Pacific: Trends and Development in Finance and Business
• Corporate Restructuring
• Relationship Management and Development in Finance
• Behavioral Finance
• Private Equity
• Leadership Management and Communication in Finance
• Private Banking
• Investment Banking
• Macro-economics and Finance

Module 5: Capstone and Major Degree Project (5 Units)

Capstone
Specific Courses: (2 units)
• Global Financial Services and Asset Management Strategies, Projects and Trends
• Financial Negotiation
• Financial Investments
• Fair Process and Board Management

Major Degree Project (3 units)

TOTAL: 15 units
MODULE 1: core courses

1. ACCOUNTING I – 1 unit

Course Description

Financial accounting and reporting is concerned with the financial information that is disclosed and disseminated by a firm to persons that are external to the company. The objective of this course is to provide a strong foundational understanding of basic financial accounting concepts, methods, and uses, with an emphasis on analysing, interpreting, and evaluating corporate financial statements and related disclosures.

Session 1: Introduction to Corporate Financial Reporting

The beginning of the first session will be dedicated to surveying the syllabus, the course structure and its objectives. The remainder of the session will be used to introduce financial accounting and its institutional setting, as well as the basic financial statements.

Key topics and learning objectives include:
• Understand the need for, and users and usage of, financial information;
• Understand the four principal activities of business firms;
• Understand the purpose and content of the three principal financial statements;
• Identify and become familiar with the sources of accounting information and their role in the analysis of the firm;
• Review of institutional details; and
• A brief introduction to the mechanics of financial accounting.

Session 2: Balance Sheet and Income Statement Concepts

This session introduces the income statement and balance sheet. We identify their components, and examine the criteria for their recognition and measurement.

Key topics and learning objectives:
• Understand the concepts of assets, liabilities, and shareholders’ equity:
  o Asset and liability recognition, valuation and classification;
  o Historical cost and fair value; and
  o Contributed capital and retained earnings.
• Introduction to balance sheet analysis;
• Understand the accrual basis of accounting:
  o Cash basis vs. accrual basis accounting;
  o Revenue and expense recognition; and
  o The matching principle.
• Introduction to income statement analysis;
• Relationship between balance sheet and income statement; and
• Interpreting and analyzing the income statement.

Session 3: Statement of Cash Flows

This session explains the purpose of the statement of cash flows within the financial reporting package, and explores the types of transactions found in each of the operating, investing, and financing sections of the statement. We distinguish between the direct and indirect methods, and place emphasis on developing an ability to analyze the statements of cash flows:
• prepared under different methods;
• by firms in different stages of their life cycles; and
• with a view to understanding the relations between different components of the statement of cash flows and their economic interpretations.

Session 4: Ratio Analysis

This session provides an introduction to integrated financial statement analysis using ratios.

The key learning objectives are to:
• Understand how to calculate and interpret ROA as a summary measure of operating performance that is independent of the firm’s financing decisions;
• Understand how to calculate and interpret ROE as a measure of profitability that incorporates the firm’s financing choices;
• Gain insights into the disaggregation of ROA and ROE into measures of profitability performance, asset turnover, and financial leverage (i.e., DuPont analysis);
• Calculate return on invested capital (i.e., ROIC);
• Assess short-term liquidity and long-term solvency risks; and
• Undertake an integrated analysis of time-series and peer-relative performance and risk assessments using an array of financial ratios.

Sessions 5 & 6: Revenue and Expense Recognition and Quality of Earnings Concepts
This session covers the quality of earnings. We survey the characteristics of financial reporting and, while recognizing its merits, also demonstrate its weaknesses and common pitfalls. The notion of accrual accounting is reinforced; the structure and use of the income statement are illustrated and contrasted with non-GAAP earnings measures. In connection with revenue recognition and accounts receivable, we will introduce the allowance for doubtful accounts as a representative example of general accrual reserve accounting.

The primary topics and learning objectives include:
• Key drivers of the quality of financial reporting;
• Accrual accounting and revenue recognition;
• Incentives for earnings management;
• Common earnings management practices;
• The income statement structure;
• Non-GAAP and other earnings measures; and
• Accounts receivable and the allowance method.

Session 7: Inventories
This session covers accounting for inventories, a major asset and expense category for many firms in the merchandising and manufacturing sectors, with an emphasis on learning to analyze inventory related accounting performance in a manner that is sensitive to internationally divergent GAAP rules, management’s accounting policy choices, management estimates, and potential earnings management games. The major accounting issues in inventory accounting include:
• The costs included in the acquisition cost of inventories;
• The treatment of changes in market value subsequent to acquisition; and
• The cost flow assumption for tracing costs into and out of inventories.

Key learning objectives in this chapter are:
• To understand that there are choices available for inventory accounting within GAAP, and that these accounting choices can make two otherwise economically identical companies appear to be different;
• To gain an understanding of important differences between IFRS and US GAAP;
• To understand the concept of LIFO layers and its role in earnings management;
• To learn to perform a LIFO-to-FIFO conversion; and
• To review the previously-introduced analytical tools for evaluating inventory-related performance in light of our enhanced understanding of inventory accounting issues.

Session 8: Long-Lived Assets
This session covers the accounting issues related to long-lived tangible and intangible assets, including the following topics:
• Capitalization versus expensing;
• Depreciation and amortization concepts;
• Gains and losses on asset sales and retirements;
• Impairments and revaluations; and
• Accounting treatment of R&D.

Session 9: Long-Term Liabilities
This session covers financial reporting and analysis for non-current liabilities, including bonds and loss contingencies, and also introduces the concept of off-balance sheet liabilities.
Topics examined include:
• Bonds:
  o Issuance at par, discount, premium;
  o Effective interest method;
  o Extinguishment of debt; and
Managerial Incentives.

- Off balance sheet liabilities;
- Loss contingencies;
- Restructuring reserves; and
- Debt covenants.

Materials:


The Grading Scheme

Your grade will be determined in the following way:

- 70% - Written Exam (3 hours-closed book exam)
- 20% - Course work
- 10% - Class participation

More details to be discussed in class

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2. FINANCE I – CM/CF – 1.5 units

**CAPITAL MARKETS**

Objectives

This course discusses the principals and practices of the modern capital markets. The topics include, though are not restrict to, time value of money, portfolio theory, asset pricing models, fixed income securities, as well as the application of these theories in the real world.

Session 1: Introduction

The lecture portraits the image of capital market from the following dimensions: its participants, its various types financial assets. We will then introduce the common financial operations (long and short), with a special focus on the modern short selling market.

Session 2: Time Value of Money

The lecture focuses on the concept of time value of money and its applications. A distinction is drawn between various quoting conventions like the stated and the effective interest rate. The present value formula for constant and growing annuities and perpetuities is derived and applied. The formulas may capture even relatively complicated cash flow structures as illustrated by the case of the ENSEAD retirement plan.

Session 3: Portfolio Theory

The lecture focuses on the principles of portfolio theory and, in particular, the concept of diversification. Mean-variance analysis is introduced as a tool to explore portfolio characteristics. The case illustrates the challenges of deriving the efficient frontier, in particular the pitfalls of portfolio weights based on historical return data.

Session 4: The Capital Asset Pricing Model

The lecture focuses on the relationship between expected return and risk. In financial markets, expected returns on assets are determined by their risks, with higher risk being rewarded through a higher expected rate of return. This raises the issue about what risk is. From portfolio theory, risk can be decomposed into “specific risk” and “systematic risk”. The former can be diversified away in portfolios. The latter cannot be diversified away and must be rewarded by a “risk premium”. The Capital Asset Pricing Model relates expected return and systematic risk.

Session 5: Asset Pricing Models and Factor Models

The lecture focuses on the distinction between asset pricing models that are statements about expected returns and statistical models that describe returns. The failures of the CAPM are first discussed and other asset pricing models
are suggested as alternatives. The usefulness of statistical models is introduced next and the relationships between asset pricing models and statistical models are then derived.

Session 6: The Pricing of Bonds

The lecture focuses on the pricing of fixed-income instruments and covers the concepts of yield measures and risk measures. There are many sources of risk in fixed-income markets. The main focus is interest rate risk. The goal is to explain the expected return and risk trade-off faced by investors in the fixed-income markets and more specifically the market for Treasury bonds.

CORPORATE FINANCE

Course Description

The goal of this course is to focus on firm valuation. The goal is to go in details in issues of valuation and firm value assessment. We will consider the implications of the optimal capital structure for cost of capital and we will see how to increase firm value by choosing the investment, financing and payout policies.

The approach is rigorous but also very applied. Students will be exposed to a series of quantitative techniques that will improve their ability to value a company.

For each day of the course, students will be presented with exercises and cases to solve. Students will work in groups so as to develop interpersonal skills.

Each exercise/case has been designed so as to make the students apply what they learn. Students will gradually evolve from simple excel analysis (first days) to a more sophisticated financial planning (second week) that involves all the different aspects of the evaluation process (pure valuation as well as financing and risk handling).

Sessions 1 & 2: Valuation Principles

The purpose of this session is to refresh valuation principles and the discounted cash flow (DCF) technique in particular. Two main issues are addressed. The first issue deals with the main “building blocks of valuation”: financial statements, liquidity analysis, net working capital, financial ratios, relevant cash flows, the so-called “free cash-flows analysis” (cash flows calculation, terminal value calculation, cost of capital, tax issues). The second issue relates them to measures of firm profitability (i.e., ROIC, RONIC), growth, multiple valuation and WACC. The focus is to provide a meaningful assessment of firm value and to link to the previous CFA training. This session gives an overview and comparison of the various methods used by companies to evaluate investment projects: NPV, IRR, payback, profitability index. Special attention will be paid to identify the relevant cash flows to be discounted in NPV calculations.

Sessions 3 & 4: Capital Structure and Cost of Capital

This session will discuss how tax considerations, expected costs of financial distress, agency costs and asymmetric information determine a company’s optimal capital structure and its financing dynamics. We will focus on the costs and benefits from debt financing relative to equity financing, how hybrid securities such as convertibles can sometimes mitigate agency costs of debt and the relevance of a company’s strategic decisions for its capital structure. Then, we will deal with advanced issues in valuations that focus on the multi-business dimension of the firm. The purpose of this session is to make a transition from the valuation of a single-project to the valuation of a multi-business firm. We will provide a coherent framework to evaluate multi-divisional businesses, foreign subsidiaries, privately-held firms. We will consider business unit and their relation to the HQ, how to value the individual business units using BU-specific cash-flows, tax rates and capital structures, the value of HQ, how to analyze value creation at the consolidated level.

Session 5 & 6: Payout Policy and Capital Structure

In this session we will finish the part on capital structure focusing on distress, bankruptcy costs and benefits of leverage. Next, we will study how value is created by optimizing the payout policy. We will study different companies and look at how their value is related to the payout policy and cash holding. In particular, we will focus on the choice whether to hold cash or invest, the choice to distribute and the choice between different alternative
March 2014

distributions – dividends, share repurchases. The goal is to study how to value firms that have very specific levels of cash holdings and payout policies. Spin-offs we will be briefly analyzed. We will focus on why dividend policy matters, why firms tend to follow stable dividend policies, the impact of taxation on dividend policy and stock price behaviour, how a firm should make a choice between dividends and share buybacks.

Session 7: The goal of this session is a brief recap of the main points covered in this module.

Materials:

Textbooks:

Optional Textbooks:
- Bruce Tuckman, Fixed Income Securities, 2002, John Wiley & Sons, Inc. This book is very useful for those who are interested in fixed income securities.

Suggested useful books are:
- Koller, Goedhart and Wessels, “Valuation” by. 4th Edition, 2005 John Willey and sons,

The Grading Scheme: Exam covers both Capital Markets & Corporate Finance
- 60% - Written Exam (3 hours-closed book exam)
- 30% - Course work
- 10% - Class participation

3. UDJ – Introduction to Modelling – 0.5 unit

Course Objectives

Regardless of the setting, management decisions are necessarily made under conditions of uncertainty. This course introduces a framework for thinking about problems involving uncertainty and, building on this framework, develops some tools for interpreting data. While some technical analysis is essential, the course material is developed and presented from a practical, managerial perspective. The goal is to provide an appropriate foundation in probability and statistics for subsequent courses at INSEAD and for your managerial career.

Prerequisites

The course requires some basic familiarity with descriptive statistics, including frequency distributions, histograms, measures of central tendency (e.g. mean, median) and variability. This material is considered to be background knowledge and will not be covered in class. Supporting material for these topics can be found in the prerequisites section of the course packet. In addition, an online tool is available to help you revise and practice this material in advance. Details (website address, log on, etc.) about the online tool will be communicated to you separately by email.

Exercises & Readings

It is recommended that you read the assigned material for each session before coming to class. However, the material for this course cannot be effectively mastered by only reading and listening in class. These are necessary
but not sufficient activities. The course packet includes exercises for the four sessions. **Participants are strongly encouraged to attempt the exercises assigned for a session prior to that session.** Solutions to these exercises will be provided at the end of each session.

**Tutorials**

Some tutorial sessions will be organized to complement the in-class lectures. These tutorials are **optional** and specifically meant to assist the participants who have difficulties in keeping up with the class. The main purpose of the tutorials is to guide you to solve exercises. More on this will be explained in class.

**Session 1: Understanding Uncertainty.**

**Session 2: Modelling uncertainty.**
Probability distributions.

**Session 3: Making Estimations and Decisions Based on a Sample.**
Sampling accuracy. Point and interval estimates. Statistical decisions.

**Session 4: Understanding Relationships from Data.**
Correlation. Regression Analysis.

**Session 5: Making Predictions Based on Data.**
Building and interpreting regression models. Forecasting. Applications.

**The Grading Scheme**
Grades will be based on a group assignment (20%) and an individual test (80%). The test will be in-class open book/open notes. No computer is allowed, but a small (very basic) calculator will be necessary. Examples of past tests will be provided in class.
MODULE 2: core courses

Units: 3

1. **ACCOUNTING II – 1 unit**

**Overview**

The primary objective of the course is the development of a framework for linking value creation to firms’ financial statements. Value creation is the fundamental objective of any business and the financial statements are a key source of information about business performance.

Our goal throughout the course is to integrate the three phenomena discussed below into a framework that is: (1) **rigorous** and, thus, durable over time; yet, (2) **intuitive** and, thus, easy to understand, remember, and explain to others.

1. **Analyzing ROIC** – we develop an in-depth understanding of how to calculate and evaluate return on invested capital (i.e., ROIC) and its components. **We focus on ROIC because it is the key financial-statement-based indicator of value creation.** We have the following objectives:

- Understand the central importance of ROIC.
- Understand how to use financial statement numbers to calculate ROIC and its components (i.e., ratios).
- Understand the relative advantages and disadvantages of accounting-based performance indicators (e.g., ROIC) and cash-based performance indicators (e.g., cash flow return on investment - i.e., CFROI).
- Understand how to use our intuition and knowledge about a firm to evaluate ROIC and its components.
- Understand why we focus on ROIC instead of ROE (i.e., return on equity) and why ROE is often a misleading indicator of value creation.

2. **Accounting analysis** – ROIC is an indicator of value creation but it is based on accounting numbers. Hence, if the accounting does not reflect the underlying business activities, ROIC is a poor indicator. In light of this fact, we use the following three-step approach for evaluating accounting quality.

- First, understand the economics. Why did management enter into a particular transaction or arrangement? What did they hope to accomplish? How well are they executing their plan?
- Second, understand the accounting. How is the transaction or arrangement accounted for? Does this make sense? Does it reflect the economics?
- Finally, if the accounting doesn't reflect the economics, adjust the numbers so that ROIC and its components are more meaningful.

We practice implementing the above approach by discussing several cases. These cases relate to a variety of topics including: (1) defining the reporting entity; (2) evaluating entities that have recently gone through a merger or acquisition; (3) identifying and adjusting for off-balance-sheet obligations; etc.

**It is important to note that throughout the discussion we focus on developing an intuitive understanding of accounting. This is not difficult. In particular, accounting is just a way of keeping score so, if you understand the "game," you understand the accounting. In this case, the game is just a particular business, so the key to accounting analysis is to know the business.**

3. **Valuation** – We begin by reviewing the discounted cash flow model (i.e., DCF), which shows that value is equal to discounted expected future cash flows. Next, we show that expected future cash flows are determined by expected future ROIC. This is extremely useful because it allows us open up the DCF "black box." In particular, **we can link value to ROIC, which, in turn, can be decomposed into ratios that relate to specific business activities. Hence, we can directly integrate our knowledge and intuition about the business into our value estimate.** After developing these links we use them to improve our understanding of:

- The forecasting process. In particular, we discuss how to forecast future ROIC and how to convert these forecasts into value estimates.
- Accounting-based valuation models and the relative advantages of these models.
- How to interpret various valuation multiples such as price-to-earnings.

**The Grading Scheme**

Grades are based on three factors: 1) casework (20%); 2) class participation (20%); and final exam (60%). All casework is done in groups.
3. **FINANCE II – 2 units**

**Capital Markets**

**Session 1: Forwards and Futures Contracts**
This session focuses on the simplest derivative contracts, i.e., forwards and futures. The session starts with a brief description of the most important features of forward contracts. This is followed by a discussion of the profit and loss functions of long and short positions. Arbitrage arguments are introduced next for the derivation of the forward price. The session concludes with the differences between forward and futures contracts, in particular the marking-to-market process. The concepts covered in the lecture are illustrated by a case on hedging and whether corporations should hedge the risks they are exposed to, and if yes, how. More specifically, the case deals with the gold price risk faced by a gold mine and the different instruments used by the company as hedging devices.

**Session 2: Swap Contracts**
This session focuses on the most popular derivative contract, i.e., swaps and particularly, interest rate swaps. The session starts with a brief description of the most important features of swaps contracts. This is followed by a discussion of the profit and loss functions faced by fixed-rate payers and fixed-rate receivers. Arbitrage arguments are introduced next for the derivation of swap pricing and the determination of the swap rate. The session concludes with a short presentation on swap curves and swap spreads. The concepts covered in the lecture are illustrated by a case on interest rate swap that deals with the rationale for interest rate swaps.

**Session 3: Option Contracts: Basic Concepts**
This session introduces option contracts and lays the ground for the subsequent sessions. It starts with a description of call and put options. The terminology pertaining to options and their price quotation are discussed. The structure of their payoff is explained and illustrated using “payoff diagrams”. Then popular trading strategies involving options are considered. Finally, a relation that ties the prices of call and put options (known as “put-call parity”) is derived. A case describes the collapse of a company that traded options on oil. It allows to assess critically a corporation’s option trading strategy and illustrates the dynamics of profit and losses that may occur.

**Lecture on the basics of options**

**Session 4: Option Valuation I: The Binomial Model**
This session focuses on the valuation of options. It starts with a discussion of the various factors that determine their value. Then it develops a binomial model of stock prices. The model can be used to price options by replicating them and applying, once again, a simple arbitrage argument. A one-period model is first developed, which is then extended to a multi-period setup. Finally, the concept of “risk-neutral” pricing is introduced. The implementation and usefulness of the binomial pricing technique is illustrated with a case that describes a innovative security with several embedded options.

**Session 5 & 6: Option Valuation II: The Back-Scholes Model**
These sessions introduce an explicit formula for pricing options, the famous Black-Scholes formula. It starts with a discussion of the assumptions that underlie the formula. Then the formula is interpreted in various ways: 1) in terms of a replicating portfolio, 2) by appealing to the principle of “risk-neutral” pricing and 3) as a special case of the binomial model. An example follows that shows how to implement the formula. In particular, an estimate of the stock’s volatility is needed. The case discusses the use of Black-Scholes for valuing executive stock options, and also addresses the incentive effects of equity-based compensation.

**Session 7: Options and Capital Structure**
This session studies how option pricing theory can be applied to capital structure. We start by illustrating how the debt and equity of a company can be interpreted in terms of options where the underlying is the market value of the firm’s assets (the so-called Merton Model). We then focus on how we can use this approach to price corporate securities, in particular the company’s debt. We illustrate the practical application of this approach by looking at the very popular Moody’s KMV EDF (Expected Default Frequency) measure which provides an expected default probability for a company based on share price data and information about the company’s liabilities.

**Session 8 & 9: Warrants and Convertible securities**
These sessions focus on warrants and convertible securities; they are securities issued by corporations that can, at the holder’s option, be converted into new shares of the company. We start by looking at the simplest securities, namely warrants, which are similar to exchange-traded call options. We discuss the main reasons why firms issue warrants and study how they should be priced to correctly account for the fact that their exercise triggers a new share issue and hence results in dilution of the share price. We then move on to study convertible bonds. Following
a description of these instruments, we consider good and bad reasons firms give for issuing convertibles and address how they are priced.

**Materials:**

**Textbook:**

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**Corporate Finance**

Corporate Finance II will focus on the main corporate finance activities. We will focus on specific corporate events that track the life of the company from the beginning to the end. We will consider: Initial Public Offerings, Seasoned Equity Offerings, Merger & Acquisition (both Valuation and Takeover defences), Leveraged Buyouts, Distressed Restructurings. We will also focus on the role of Executive Compensation.

**Session 1 and 2: Initial Public Offerings (IPO) and Advanced Valuation**

This session will focus on raising equity capital from the public markets for the first time. The key learnings concern the benefits of being publicly traded and the costs of being publicly traded. We will examine both the ideal candidate for an initial public offering as well as the ideal timing for an IPO. We will also highlight the roles played by alternative players including the issuer, the investment banker/advisor, institutional investors, and other equity investors such as the venture capitalists.

**Session 3: Seasoned Equity Offerings (SEO)**

In this session we will cover the main issues involved in raising equity capital and being publicly traded. These issues include the impact on voting and control over the company, the costs of raising equity from the public markets, and the use of rights offerings. The key learnings focus on the incentives facing different parties in equity financing (investors, management, advisors, members of the board) and the importance and impact on corporate governance from alternative equity raising and voting allocation decisions. The case deals with a rights issue, one of the ways Australian firms use to raise money.

**Sessions 4 and 5: Mergers & Acquisitions (M&A)**

We will discuss what creates value in an M&A transaction. How does the market perceive the benefits and costs? What are determinants of success and failure of M&A? We will see that the only way to decide whether a specific transaction creates value is by analysing the target as part of the bidder in a DCF analysis. And then we will try to see how to reach a negotiated agreement.

**Session 6: Takeover Defenses**

We will discuss possible obstacles in completing an M&A transaction such as free rider problems and takeover defences. From the target’s point of view we want to understand how a target can defend itself and whether such takeover defences are good for the company in the first place. From the bidder’s point of view, we want to find smart solutions to these obstacles.

**Session 7: Leveraged Buyouts and Private Equity (LBO)**

In a leveraged buyout a public company is taken over by private equity investors who lever up the company in the process. This type of transaction has become more frequent in recent years in Europe and has created some controversy. We will discuss the benefits and costs of these type of transactions. Why do companies do LBO’s? What are the consequences for the various stakeholders (i.e. public shareholders, private equity investors, debt holders, workers etc)?

**Session 8: Distressed Restructuring**

The goal is to introduce the incentive problems that investors face when reorganizing debt in a distressed company. The lecture provides an overview of the cost of financial distress, the role of the bankruptcy laws, a discussion on what metrics there are to predict bankruptcy (rating and financial ratios) and a description of successful restructurings.

**Session 9: Value Based Management and Executive Compensation**

This session provides the basics to determine and assess executive compensation schemes. We will investigate the pros and cons of a private equity management compensation contract and link it to the observed compensation contracts for top management.

**The Grading Scheme: Exam covers both Capital Markets & Corporate Finance**

- 60% - Written Exam (3 hours-closed book exam)
- 30% - Course work
- 10% - Class participation
 MODULE 3: concentration  

The programme provides an opportunity to concentrate in either Corporate Finance or Financial Markets.

List of proposed courses:

<table>
<thead>
<tr>
<th>Topic in Corporate Finance</th>
</tr>
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<tbody>
<tr>
<td>Advanced Corporate Finance</td>
</tr>
<tr>
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</tr>
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1. Advanced Corporate Finance

The purpose of this concentration is to deepen your knowledge about share buybacks, mergers and acquisitions, financial innovation and financial restructuring.

The structure

Session 1: Share buybacks
Companies can repurchase shares using various methods such as fixed price tender offers, Dutch auction offers, private repurchases, open market buybacks, writing put options and accelerated repurchases. The purpose of this session is to discuss the benefits and costs of each of these methods, using finance theory as well as empirical evidence. One of the most common motivations for repurchases is undervaluation, which can be seen as a threat (as you are vulnerable to a takeover bid at a low premium) or an opportunity to buy back stock cheap. Empirical evidence on which firms are capable in taking advantage of misevaluation will be presented.

Session 2: Takeover defenses
Companies can defend themselves against hostile takeover bids by taking pre-emptive measures such as corporate charter amendments or by responding to hostile bids with restructuring initiatives, payout increases (dividends and buybacks), searching for white knights or white squires, asset lock-ups, legal or political initiatives. We will discuss which measures are most effective and which ones enhance shareholder value rather than simply protecting the management from the discipline of capital markets.
Session 3: M&A financing
Acquisition finance is different from other types of finance as target shareholders may have preferences for how they are paid (cash or shares). Picking a financing method that is appreciated by target shareholders will reduce their resistance and lower the cost to the bidder. One particular concern of targets is asymmetric information: differences of opinion between bidders and targets on the value of the synergies or the value of the bidder stock. We will discuss how structuring the financing with derivative contracts can eliminate these concerns.

Session 4: Financial Innovation
Financial innovation is designing financial instruments that reduce taxes (personal as well as corporate), costs of financial distress, agency costs and costs arising from asymmetric information. We will give an overview of the most successful innovations as well of some of innovations that fail because of unintended consequences.

Session 5: LBOs and stakeholder value
Leverage buyouts involve a variety of stakeholders: existing shareholders, private equity investors, investors in subordinated debt (sometimes packaged with private equity and preferred stock), bondholders, workers and the management (current management as well as those who participate in the private equity). Who gains and who loses is an empirical question and depends on how the deals are structured. This will be illustrated by documenting large scale empirical evidence as well as a comprehensive case study that looks at the LBO from the point of view of all stakeholders.

2. International Corporate Finance

The main focus
Companies are nowadays getting more international. What are the implications of this from a financial perspective? How do we evaluate an international project? How do we account for country and currency risk? How do we choose our shareholders when we go international? Which market should we tap into to raise new capital? Where is it better to borrow? How can we reduce our cost of capital by issuing in different countries/currencies? How do we hedge the economic and transaction exposure that arises from operating internationally? These are the types of questions we will address in this course. We will concentrate on the features that make operating abroad a unique challenge and we will see how to turn them into sources of comparative advantage.

The course is targeted to participants who are interested in an international career and want to have a sound grasping of the main financial topics involving the international dimension of a company. While quantitative, the course is mainly focused on providing the participants with a broad and integrated framework that allows them to master the complexity of the problems facing a firm that is exposed to international markets. Global perspective and integrated problem solving are stressed. The perspective will be that of a CFO/CEO.

The structure
The course is based on lectures and cases. Each concept will be directly applied in a real case situation. The course is structured in three modules. 1) International risk management, 2) Raising funds abroad, 3) International Growth. The first module studies how the company may eliminate the risk from operating internationally. We will focus on different types of risks and zoom on currency and country risk. We will evaluate alternative strategies needed to address them. We will consider how to choose to hedge in the most effective. The second module focuses on where and how to raise funds. We will consider different bond and equity possibilities and study the most effective strategies in terms of cost, flexibility, and risk. The third module addresses the issues of how to evaluate an international path of growth. We will focus on international M&As how consider how the international dimension helps to create an optimal strategy of growth.

3. Project Finance

The main focus
Historically project finance was used by private sector for industrial projects, such as mines, pipes, oil fields. In the early 70s, BP raised $945 million to develop the “Forties Field” in the North Sea. Investment in new infrastructure assets amounted to $369 billion per year from 2005-2010 with 63% in developing nations, e.g. Asia, Africa. What is project finance? Project finance differs from corporate finance. Project Finance (PF) involves i) the creation of a legally independent project company, ii) financed with non-recourse debt and equity from one or more sponsoring firms, iii) for the purpose of financing an investment in a single-purpose capital asset, iv) usually with a limited life. Project finance allows firms to minimize the net costs associated with market imperfections such as i)
incentive conflicts, ii) asymmetric information, iii) financial distress, iv) transaction costs, v) taxes and to manage risks more effectively and more efficiently.

The concentration will cover 4 topics: 1) What is project finance and what the differences between project finance and corporate finance are? 2) valuation issues in project finance, why the WACC cannot be used and which alternatives can be used instead, 3) financing issues in project finance, such as how projects are financed and what the implications are, and 4) the securitization of projects, infrastructure trusts and their usefulness in asset allocation for investors. Each topic is illustrated by a case (covering different geographies: Australia, US, Europe and the Far East) involving or not governments (private projects, public projects, or a mix of the two, i.e., PPP).

The core of the concentration is valuation and financing issues in project finance. Projects are usually valued using the IRR criterion, with the IRR of the Equity Cash Flows (ECFs) being typically calculated. The decision to accept a project, or not, depends on whether the equity IRR is above, or below, a pre-determined threshold, such as (15%). The usefulness and appropriateness of the equity IRR are discussed and alternatives based on the cost of equity are suggested. After a brief review on the cost of capital and the traditional techniques used to value projects, WACC, APV, CAPV, the discounting of ECFs using the cost of equity discussed. The challenge remains the calculation of the discount rate (the cost of equity) that changes over time as a function of the project leverage, itself a function of the equity value. The circularity argument can be solved in project finance using backward induction.

The structure
1) What is Project Finance?
2) Valuation Issues in Project Finance (Part 1)
3) Valuation Issues in Project Finance (Part 2)
4) Financing Issues in project Finance
5) Project and Infrastructure Finance as an Asset Class

4. Venture Capital Finance

The main focus
Amazon, Ebay, Facebook, Twitter.. Behind every successful technology venture, there is a venture capitalist. Innovation disrupts technology and productivity, and changes how people live. Venture capital is the financing of innovation.

This course covers how firms use venture financing to finance their early life. We will focus on financing benefits and cost for the companies, different stages of venture investing – angels, VCs, growth capital, and exit consideration. We will look at the processes by which VCs source, monitor, and exit the investments, and if and how they create value at each of these stages.

The structure
The course uses a combination of lectures, case studies, and guest speakers (depending on availability) to cover the following topics:
- The organization structure of venture capital
- Different types of early-stage financing: Angels, VCs, and growth capital
- Deal sourcing
- Deal structuring: term sheets, valuation, and negotiation
- Deal monitoring
- Deal exiting

5. Equity Investment

Course Overview and Objectives
The primary objective of the course is i) the analysis of the different asset classes (traditional, alternatives…) available to investors and ii) how investors' wealth should be allocated between the different asset classes. The course focuses on the optimal design of asset allocation schemes for private and institutional investors alike. The course will cover various theoretical concepts but is fundamentally designed to address concrete and practical issues faced by investors today.

More specifically, the course starts with the concept of diversification and discusses its benefits and limitations. The most popular asset allocation schemes (mean-variance, naïve, risk-minimization…) are then introduced. The role
of traditional asset classes, such as equity and bonds in asset allocation schemes are then covered. This is followed by an in-depth discussion of what risk is; alternative measures of risk (tail risk, downside risk...) are then suggested. To what extent is the most popular measure of risk such as the standard deviation, or VaR, useful for investors today? Is not the risk of both traditional and alternative asset classes mis-estimated with the standard risk measures? The course continues with a detailed discussion of alternative asset classes, such as hedge funds and real assets (timber, shipping, infrastructure...) and their usefulness in asset allocation schemes. The course concludes with a discussion of the impact of inflation on asset classes and how investors’ wealth can be preserved in an inflationary environment.

The structure
1) Traditional and Non-Traditional Asset Allocation Schemes
2) Investment Strategies: Theory and Practice
3) Standard and Advanced Risk Measures
4) Alternative Investments
5) Investments and Macro Risks

6. Options and Derivative Instruments

Course Objectives
The past three decades have seen risks – unpredictable changes in exchange rates, interest rates or commodity prices – increase considerably, creating both challenges and opportunities for investors. Derivatives markets have grown exponentially over that time period to offer cost-effective tools to respond to these risks. This course provides a thorough understanding of derivatives, how they work, how they can be used to reduce risk (hedging) or take on risk (speculating), how to design and structure them and how to manage their own risks.

The instruments covered include forwards, futures, swaps, standard and exotic options, and structured products. They will spread across a wide array of asset classes including currency, equity, commodity, fixed income and non-traded assets such as dividends and volatility.

Learning Outcomes:
A participant completing this course will be able to:

- Understand and manage the risks of a portfolio of derivatives
- Identify mispricing and arbitrage opportunities involving derivatives
- Set up derivatives strategies to invest in various asset classes, from traditional assets such as commodities and currencies, to non-traded assets such as dividends and volatility
- Quantify the risks and rewards associated with derivatives strategies
- Construct derivatives strategies to bet on specific corporate events such as the success of a takeover
- Design and manage structured products for retail and corporate customers

Who should take this course?
The course is intended for participants planning to work as investment bankers, asset managers, private bankers, consultants or corporate treasurers. It will allow them to develop both an intuitive understanding and a quantitative assessment of derivatives. It is based on a mix of lectures and practical cases.

7. Credit Markets

Course Objectives
In the last decade, credit markets – the markets for corporate bonds and loans and other debt securities exposed to default risk, as well as derivatives and other products based on these securities – have constantly been in the headlines: the explosive growth of credit derivatives, the spectacular rise and fall of collateralised debt obligations, the emergence of sovereign credit risk in western economies, the recent popularity of corporate credit as an asset class.

Topics covered
1. Debt securities exposed to default risk (corporate bonds and loans, sovereign debt)
   
   Traditional measures of credit risk, current credit market trends, understanding credit spreads, modeling credit risk in capital markets.

2. Credit derivatives, in particular credit default swaps (CDS) that are used to hedge and trade credit risk synthetically
3. **Securitisation**: the creation of new debt securities backed by cashflows from a pool of assets (often debt instruments themselves), with a specific focus on collateralised debt obligations (CDOs) that repackage the credit risk of a portfolio of corporate bonds and loans.

How securitisations/CDOs work, motivations and mechanics, understanding tranche ratings, the role of CDOs in the credit crisis, the future of securitisation.

### 8. Asset and Liability Management in Banking

**Course Objectives**

As the banking world is shifting from an overriding concern for growth to a preoccupation with long-term value creation and risk control, knowledge of Asset & Liability Management (ALM) is becoming a necessity for all bankers accountable for the results of a profit center. ALM is a tool that ensures that decision making, risk-taking and performance measurement are consistent with the corporate objectives set by senior management and the board, and the regulatory constraints imposed by central banks, such as Basel 2 or Basel 3.

The valuation and management of banks require specific techniques, not discussed in standard corporate finance courses. The first purpose of the course is to discuss bank valuation and Asset & Liability Management, the set of modern financial techniques needed to create long-term value and control risks in a bank. A second objective is to analyse and draw strategic implications from the banking crisis and the major structural changes occurring in international banking markets.

**Learning Outcomes:**

A participant completing this course will be able to:

- Value a bank
- To construct key-performance indicators in banking.
- To price loans and evaluate provisions for credit risk.
- To evaluate liquidity and market risks in the banking book.
- To evaluate market risks in the trading book.
- To evaluate the benefits of business diversification.

**Who should take this course?**

The course is addressed primarily to participants with a strong interest in value creation, risk management, and strategic planning in banks. After attending the course, participants could join banks, consulting companies, investment banks that sell advices and products to banks and insurance companies, and private equity firms or investment funds that invest in financial institutions.

**The Grading Scheme for concentration:**

For each course undertaken, the performance of each participant is assessed on the basis of written reports, exams, tests, class participation and group work, at the discretion of the faculty member teaching the course. The contribution is evaluated on its own and grades are allocated between 0 and 4.
1. **Corporate Governance**

**The main focus**
We are taking an investor’s point of view and ask what type of corporate governance arrangements create value or destroy value. But first, what is corporate governance? Governance is trying to solve or alleviate conflict of interest problems and costs arising from asymmetric information. For example, if a company such as Apple keeps hundreds of billions in cash on their balance sheet, investors get nervous. Activist investors such as Carl Ichan might take a stake in Apple and raise a campaign to get Apple to pay out some or all of its cash. Thus, one of the governance arrangements that we will discuss is shareholder activism. Which activist strategies do hedge funds and activist funds follow, why and what are their success rates? Another major governance tool is the board of directors. As representatives of the shareholders they are the link to management. What is their responsibility and how does the board affect the value of the company. Given that much of the recent regulation has involved the role of the board of directors, we develop a checklist that helps us spot potential risks at the board of directors level which should be taken into account when valuing a firm. Establishing compensation arrangements is one of the jobs of the Board. We will investigate new metrics based on INSEAD research that will help investors assess potential risks with the incentive structures in a company. Governance, however, is going beyond the firm. We will study the impact that regulation, rules, and norms at the country level have on the ability of firms to create value. Such differences in governance can help us understand differences in valuations, P/E ratios, payout ratios across the world. Finally, we will apply the various governance arrangements covered in a setting of a start-up firm. We look in detail at corporate governance arrangements of private equity firms when they propose to finance a start-up. What governance solutions do VC and PE firms use to solve which concerns the financiers have?

In the corporate governance course you will come away with an understanding of the major governance arrangements used by corporations and start-ups. These will be useful to know as part of the valuation of a company, e.g., when analysing the possible value improvements that Apple could realize by changing its payout policy and capital structure. The knowledge will also be useful in a PE or VC job where managing the risks taken by the investors is key to a successful fund performance.

**The structure**
The course is a mixture of lectures, case work and presentations.

2. **Advanced Accounting**

**The main focus**
We focus on advanced topics such as accounting for deferred taxes, fair value reporting, foreign currency translation, etc. We take a broad perspective. In particular, we discuss relevant IFRS and U.S. GAAP as well as how reporting choices affect and are affected by strategic decisions. For example, when discussing fair value accounting, we describe its role in the financial crisis, how CFO’s modified their investor-relations strategies to deal with the consequences of having to report fair values, etc. We also discuss relevant issues that are indirectly related to accounting and reporting. For example, when discussing deferred taxes we describe several tax arbitrage strategies that firms use to minimize their tax liabilities. Finally, throughout the course we emphasize the trade-offs managers and users make when preparing and evaluating financial reports.

**The structure**
The course consists of five sessions that occur over two-and-a-half days. Each session is four hours and consists of an interactive lecture, followed by group-work on a case, and ending with an interactive discussion of the case. A brief description of each session is shown below:

- **Session one: Income taxes**
  - Focus on deferred tax accounting and tax optimization strategies
- **Session two: Fair value accounting**
  - Focus on key reporting issues such as measurement as well as consequences for financial institutions and managers of investment funds
- **Session three: Foreign operations**
  - Focus on foreign currency translation and hedging of exchange-rate risk
- **Session four: Complex liabilities**
  - Focus on hybrid securities and the role they play in obtaining an optimal capital structure
- **Session five: Advanced issues related to mergers and acquisitions**
Focus on advanced issues such as step transactions and reverse mergers. In addition, we integrate key issues discussed in previous sessions and courses.

3. Integrated Risk Management and Practice

Course Description

Embedding risk management in the daily flow of business is by far the most difficult element of achieving sensible enterprise-wide capital allocation and competitive performance. Getting it right delivers clear benefits and value-creation. As we know from recent experience, getting it wrong can be fatal for businesses.

With a ‘generalist’ focus on this subject, this course will be as non-technical as possible and will involve appropriate input of concepts, observations and applied cutting edge perspectives from the faculty - but will equally draw on the experience of the participants.

The content will cover how effective risk management cuts across a range of disciplines, including finance, economics, applied mathematics and actuarial science and touches on strategic and tactical management as well as various banking, insurance and corporate functions.

The course covers a variety of instruments and techniques, as well as the emergence of new risk measures and serious problems that can occur from misunderstanding the interdependencies among different risk domains. Risk models themselves are inevitably based on historical data, and can be subject to model-risk which by itself needs to be understood and taken into account.

This executive masters course delivers an integrated, cross-disciplinary overview of risk management best-practices for managers from financial services firms and corporations exposed to market risk, credit risk, sovereign (country) risk, operational and reputational risk – all of which are linked to the overriding strategic risk driven by the firm’s business model.

The course will move from highly developed yet surprisingly fragile areas such as market risk to the fairly new and largely unexplored area of reputational risk. For the latter, the focus will be on conceptual modeling as well as calibrating and valuing exposures from actual case studies. The course concludes with an effort to achieve an integrated risk control perspective, centered on the correlation between the various risk types and unexpected correlation spikes.

Coverage

- Systemic risk
- Market risk
- Credit risk
- Liquidity risk.
- Risk domain correlation spikes.
- Operational risk.
- Sovereign risk.
- Reputational risk.
- Risk integration
- Risk governance.

Course Benefits

During this course students will:

- Gain a holistic view of integrated risk management that is globally relevant
- Develop an understanding of modern risk metrics and its evident limitations, as well as an appreciation for the importance of low-probability high-impact events and correlation spikes
- Discover practical alternatives to create effective, efficient and robust risk-transfer structures
- Analyze issues related to the implementation of risk management systems and compliance with key regulatory requirements in risk-sensitive industries

With its broad and balanced view of risk management, the course is tailored to the needs of managers in financial services firms as well as individuals working in finance and risk management functions of non-financial firms concerned with an integrated view of risk control and its strategic impact on the company.
4. Asia Pacific: Trends and Development Finance and Business

The main focus
This course discusses recent capital market developments in Asia Pacific, with a specific coverage and focus on China’s capital market and economic development, and its impact on the region and the rest of the world. The course offers a macro and global perspective on issues such as the relative competitive advantage of different countries, capital markets, the relation between law and finance, and the roles of different forms of capital.

The structure
The course uses a combination of interactive lectures, case works, and speakers (depending on availability), to cover the following topics:
- Chinese economy and the global imbalances
- The current structure and recent structural change in the Chinese and Asia Pacific economies
- The RMB exchange rates
- China’s credit, shadow banking, and real estate “bubble”
- The role of alternative capital in emerging markets.

5. Corporate Restructuring

The main focus
This elective covers finance-related aspects of major corporate restructurings such as Mergers and Acquisitions, Leveraged Buyouts, spinoffs, and restructurings in situations of financial distress. The emphasis will be on the valuation and execution stages of these transactions, although we will also discuss the underlying strategic considerations. On the techniques side, since you will already be familiar with the main theoretical tools from core Finance courses (capital structure, valuation, CAPM, etc.), we will mainly focus on the practice of applying those tools in the context of a diverse set of real business restructuring situations. Thus the course will provide both an opportunity to hone your

The structure
We will avoid lectures and instead focus on a series of business case studies from various industries and presentations around a number of main themes:

- Mergers and Acquisitions
- Carve-outs, Spinoff, Disposals
- Leveraged Buyouts
- Restructuring in Distress Situations

6. Leadership in Finance I: Relationships and Performance

The main focus
This is the first of two electives related to leading and managing in the world of financial services – a world of financial intermediation, complexity, ambiguity, diversity and volatility. The course may be taken separately or in combination with Leadership in Finance II.

Leadership approaches, management skills and communication styles are critical areas of performance and development for client-based businesses such as financial services. This course examines fundamental areas of leading, managing and relating to people as well as achieving team high-performance.

The structure
The course learning approach encompasses class lectures, readings, cases, and experiential exercises, covering the following areas:

- Understanding the range of qualities and characteristics that can contribute to effective leadership in the setting of financial services, as well as styles of leadership approach that influence the way we lead ourselves, lead others and lead strategically in an organisation.
- Awareness – of self and others, as well as emotional intelligence and personal characteristics – to better understand personal leadership strengths and weaknesses – with awareness leading to focus areas for personal leadership development.
• The need to recognise situation and context in developing, adjusting and adapting leadership styles and approaches to fit the circumstances of need and motivation for different leadership stakeholders at different points of time.
• Building, developing and sustaining high-performance teams.
• Understanding and leveraging diversity including cross-cultural interaction.
• Developing relationships and networks based on mutual interests and accountabilities, effective interpersonal engagement, feedback and reflection.
• Becoming a trusted adviser with key stakeholders – especially business clients and partners.

7. Behavioral Finance

This course is a blend between behavioural decision making and financial strategies. The goal is to start from a broad and in depth understanding of the major biases that affect the individual decision making process and see how the affect financial strategies, corporate finance decisions and private banking behavior.

KEY LEARNINGS AND DESCRIPTION OF SESSION

Part 1:
The purpose of this first part of the course is to highlight biases in our decision making process and suggest “nudges” that can be formally or informally incorporated in our processes to improve the quality of judgments and decisions especially under risk and uncertainty.

We will start with the paradox of control. Regardless of the setting, most decisions are necessarily made under conditions of risk and uncertainty. However, there often exist severe limits to predicting the future, be it in the context of investments, business, health, or even personal pursuits such as happiness. We then look for shelter in “models” to accurately predict future outcomes. In doing so, we frequently go too far and often end up underestimating the role of chance and what we don’t control, we overestimate our ability to predict the future, and hence fall prey to “illusion of control” with all its costs. On the other hand, that there is much to gain by giving up the illusion of control and embracing uncertainty. By not trying to control what we can’t control, and by accepting the role of chance and trying to take advantage of the opportunities it creates, it is possible to attain more beneficial outcomes. Stemming from our illusion of control, while making decisions, we are susceptible to cognitive biases (such as anchoring, availability, overconfidence), emotional barriers (greed, fear, and hope), and technical difficulties in the environment in which we have to operate (unable to separate a good process from a good outcome, other challenges in learning from feedback, and so on). We will study these issues and address them in a decision-making context.

Then, we will explore individual judgments vs. group judgments, possible ways to arrive at group judgments, what works well under what conditions, the identification and role of experts, and so on.

Part 2:
The purpose of this second part is to provide an understanding of the more recent sets of tools provided by the “behavioral finance” paradigm. We will focus on the main behavioral biases (prospect theory, disposition effect, narrow framing, mental accounting, overconfidence, conservatism, limited attention, …) and their link to trading strategies. Then, we will consider one traditional trading strategy (merger arbitrage) and we will see how to refine it using behavioral ideas and how to assess the “true” performance of these strategies. We will explore how new sources of information and data help to refine traditional trading strategies.

In the second part, we will focus on the opportunities provided to the asset managers by market frictions and institutional constraints (“limits of arbitrage”). We will focus on the concept of “demand of financial assets” and on the way it affects firm value and induces mispricing. Then, we will go more in depth in the analysis of one of the strategies meant to exploit such a mispricing (“stub based strategies”). The goal is to have a proper assessment of the returns and risks involved in these strategies and their main drivers.

8. Private Equity

The main focus
Private equity has evolved from a new form of investing and a small part of the capital markets in the early 1980s to a mainstream, well-established financial institution that plays a critical role in the market of corporate control and value creation.
This course covers not only the structure of venture capital and private equity deals, but also the structure and economics of the VC/PE funds themselves. At the end of the course students should have a solid understanding of the industrial organization of private equity, the positive and negative incentives these structures create (fund level issues), and the specifics of term sheets (deal level issues).

The structure
We will use a combination of lectures, case studies, and speakers (depending on availability) to cover the following topics:
- The structure and economics of the VC/PE partnership (Partnership Agreements)
- The risk/return characteristics of VC/PE as an asset class
- The relation between public and private equity
- How and why private equity deal structures create value (or not)
- Details of term sheets; term sheet negotiation
- Unique strategies in private equity (e.g., family businesses, healthcare investments)

9. Leadership in Finance II: Acumen and Communication

The main focus
This is the second of two electives related to leading and managing in the world of financial services – a world of financial intermediation, complexity, ambiguity, diversity and volatility. The course may be taken separately or in combination with Leadership in Finance I. Leadership approaches, management skills and communication styles are critical areas of performance and development for client-based businesses such as financial services. This course examines two specific areas of leading effectively in the 21st century – leadership acumen and communication.

The structure
The course learning approach encompasses class lectures, readings, communication examples, and experiential exercises and will use materials drawn from within and outside the world of finance:

- Acumen is good judgement with timely decisions. Effective leaders combine business acumen with people acumen. The ability to think strategically is critical together with the capability to use analysis, experience, prioritisation and engagement to achieve high performance results. We will look at ways to accelerate the development of acumen as a leader in financial services – at a personal and team level. We will also connect acumen with its relationship to vision, strategy, implementation, business process and creativity.

- Successful leaders are highly effective communicators. Communication capability and approach affect business, professional and leadership performance. This is especially the case in businesses such as financial services, where different audiences have a wide range of financial literacy and comprehension. Effective communication is essential for exchanging knowledge and information, as well as influencing and persuading. We will explore the relationship between effective leadership and effective communication. The learning framework is built upon understanding ‘communication intelligence’ and ‘communication preferences’ for leaders as they connect people, ideas and actions in the business and financial environment.

- Leadership Communication in finance happens through interactions between leaders and people within and outside an organization. Leadership Communication occurs for a purpose and within a situation or setting. It covers a wide repertoire of verbal and non-verbal activities – such as thinking, listening, writing, speaking, and behaviours. Effective Leadership Communication creates meaning, commitment and results. The course also covers practical skills in communication performance to support effective leadership communication.

10. Private Banking

The main focus
Private banking is one of the most interesting and valuable of financial services businesses. This course provides an in-depth conceptual and practical guide to global wealth management for high net worth families. It presents a
strategic context for private banking industry trends, requirements of a successful strategy – with perspectives on advice, products, service and pricing, as well as the critical drivers of economic profitability and firm strategy. The course concludes with a session designed to highlight the conflicting and confluent interests of the primary constituents – the client, the firm and the banker. The course is designed to set a foundation from which to better evaluate client choice of a private bank and the strategic integrity of private banking firms as stand-alone businesses or as divisions of larger financial organizations.

The structure

The Context. Private banking industry trends and evolving industry structure. Focus on the role of private banking in the global financial infrastructure, with contextual analysis on how private bankers play critical role in helping clients optimize risk adjusted return for their balance sheets and portfolios and accessing capital markets to connect users of capital with the market.

Readings:

The Wealthy Family. Focus on the social, financial and emotional dimensions of wealthy families. Students will analyze the complex financial holdings or a successful entrepreneur and business owner, identify the critical issues and private banking opportunities, assemble a prototype client team identify critical elements of a successful strategy to serve the client and an effective “pitch” to secure the assignment.

Product Suite Essentials: Onshore & Offshore. The range of products and services offered by a private bank to assist each client optimize the structure and holdings of the personal balance sheet. This includes the range of investment options that a wealthy family should and can employ. The session will also focus on key issues in offshore provide banking and its future development. This session will consider role of credit for private clients - the types of credit available to private clients, structure, terms, pricing and purpose. The session will explore the motivations of both borrower and lender, as well as identify the role of the private banker in facilitating the creation of the credit facility.

Adding Value. This session considers the critical elements of profitability in a private bank. It opens with a discussion of a successful acquisition and sale of a private bank, reviewing the return dynamics of the business – considering income statement and balance sheet configuration as well as deal dynamics. The discussion will focus on elements of competitive distinction and how to exploit them. The discussion will also review significant elements of strategic risk, providing a context for both the bank and the client to identify potential problem areas.

Strategy and Management in a High-performance Private Bank. Integrative case-based management-focused discussion of building and deploying competitive private banking teams. Consideration of private banking as a career, exploring issues of personal competency, compensation and career path. Critical nature of competent professionals and the dual pathway to impact firm-level and personal returns. Identification, development and retention of creative and motivated people in a highly competitive environment for the private-banking skill-set.

11. Investment Banking

The main focus

This course focuses on investment banking, hedge funds and private equity funds, including organizational structure, key products, risks, innovations and influence on corporate decision-making. Investment banking businesses, including the “banking” business (M&A and capital markets financings), the “sales and trading” business (client-related sales and trading and proprietary trading) and other key business will be considered. In addition, new, innovative investment banking securities and advisory products will be reviewed. The course will consider hedge fund and private equity products and strategies in relation to their impact on corporations, including activist shareholder initiatives and LBOs, and the role of investment banks in this area. Corporate and government efforts to counter threats and exploit opportunities represented by these financial institutions will be emphasized.

The structure

The course will utilize five chapters and five cases taken from the textbook: Investment Banks, Hedge Funds and Private Equity, 2nd Edition, by David P. Stowell, published by the Academic Press division of Elsevier. Each class will include one chapter and one case, with a combination of lecture and class discussion of chapters and cases. Current developments in global capital markets, M&A transactions and activist shareholder and LBO initiatives will be discussed in each session. Student groups will be formed to facilitate discussion and analysis of cases.
12. Macro-economics and Finance

The main focus
The goal of the course is to build an understanding of the mechanisms that determine the evolution of the global economic environment and its influence on financial markets. The course studies growth, business cycles, exchange rates, inflation as well as the role and limitations of economic policy. The focus of the course is applied. Starting from a basic theoretical framework, we extensively discuss examples and applications, which help participants understand theory and enrich their knowledge of the current macroeconomic environment.

The structure

Summary: How to measure economic activity and macroeconomic performance. Financial flows: saving, investment and the role of the interest rate. The World Economy: capital and trade flows, the balance of payments and global imbalances.
Learning outcome: Understand and interpret macroeconomic concepts in the context of a globalized economy. The emphasis is on how these concepts allow you to assess the current performance of a given market.

Summary: Determinants of long-term growth rates for countries and markets.
Learning outcome: Provide a framework to understand long-term growth rates. Provide answers to questions such as: Why are some countries performing so much better than others? Where will growth be coming from in the next decades?

Summary: Business cycles, the role of government and central banks; monetary and fiscal policy.
Learning outcome: Understand the roles that governments and central banks have in a modern economy. Develop a critical view on different economic policy proposals. Anticipate future developments and build scenarios for global markets.

Part 4: Exchange Rates.
Summary: Understanding exchange rates, their behavior and main determinants.
Learning outcome: Develop a framework to understand exchange rates. Provide an explanation of how different countries manage exchange rate differently. Make sense of the current international monetary system and the role of reserve currencies such as the US dollar and the Euro.

Part 5: Economic and Financial Crises
Summary: Understanding economic and financial crises, its causes, mechanisms and ways to escape them.
Learning outcome: Develop an understanding of economic and financial crisis with a strong focus on the 2008-09 financial crisis and the on-going sovereign-debt crisis.

The Grading Scheme for concentration:
For each course undertaken, the performance of each participant is assessed on the basis of written reports, exams, tests, class participation and group work, at the discretion of the faculty member teaching the course. The contribution is evaluated on its own and grades are allocated between 0 and 4.
1. **Global Financial Services and Asset Management Strategies, Prospects and Trends**

The course will focus on global financial markets. It will investigate how a disciplined approach to the process of financial intermediation helps explain what has happened in global banking and financial markets around the world and, more important, what is likely to happen going forward. It will study the degree these pressures are generic – and therefore common to all banking and financial environments – or specifically related to distinctive national and global economic structures, regulatory approaches, and other environmental factors. The course will investigate how the intermediation dynamics have affected the structures of the principal domains of the financial services industry – commercial banking, life and non-life insurance, securities and asset management – in terms of competitive performance and survivorship.

2. **Financial Investments**

The course will focus on asset management industry. It will first consider the mutual fund and ETF industry and then will zoom on the role of hedge funds in asset allocation strategies. How do we explain the spectacular development of an industry that was moribund in the fall of 1998? Why are institutional investors (pension funds, endowment funds, etc.) and private investors alike pouring billions of dollars’ worth into hedge funds? What are the pros and cons of hedge funds in asset allocation strategies? Is there evidence of alpha generation? Is this asset class genuinely uncorrelated with other asset classes and does it display a low risk? The goal is to obtain an overview of competitive strategy’s logic in the asset management industry, to learn tools for industry analysis, to understand and quantify competitive advantage and to examine factors that prevent companies from imitating competitive advantage of others.

3. **Fair Process and Board Management**

This course will explore ways to create value and to overcome common as well as complex organizational issues at the top of the company by applying a “Fair Process” approach. The course will provide a framework to define and operationalize the process, showing how to use it to creating value and achieve alignment among board members and between the board and the CEO. This course is the very strategic and is meant to provide a final overall view of the decisional process within financial organizations.

4. **Financial Negotiation**

In the Financial Negotiations course, you will explore the ways that people negotiate to create value and overcome common as well as complex negotiation obstacles within the realm of finance negotiations, such as the strategic choices of win-win and win—lose the value tension and managing difference in power. This course aims to enable you to become a more effective negotiator, which includes providing or helping you build:

- The ability to create value and execute deals that others might overlook;
- The strategic skill to garner your fair share of what is negotiated;
- The ability to avoid common mistakes made by negotiators;
- The perception to understand your own ethics and style, and that of others;
- The ability to work with people with different backgrounds, expectations, and values;
- The ability to analyze negotiations at a more sophisticated level;
- The opportunity to practice with the direct feedback from your peers and professor; and
- The capacity to reflect and learn from your experience and that of others.

Participants engage in a series of hands-on simulations which involve psychological and game-theoretical aspects of bargaining, relationship building, communication, value discovery, creation and distribution, with a special focus on organized preparation and process analysis. Participants should finish the course as more aware, effective and reflective negotiators with the help of a conceptual framework to diagnose problems and promote agreement, both outside and inside your organization.
**Major Degree Project** (3 units)

We expect the MFIN projects to have real business impact – to lead to actionable insights and recommendations that either participants, or those near participants (managers, sponsors, clients), could implement. There are many different topics and themes for the project. This is quite open; the main constraint is time. The idea is to choose something that is doable in the timeframe allotted, which amounts to, approximately, 4-5 months of part-time work during the closing stages of the programme. That is, participants will be busy. The participant needs to find something that is challenging but not over-ambitious. Of course, projects, once completed, should have an afterlife. They are meant to be useful to the participant in the coming years and will, normally, require continued development.

Project types could be of two main types: **Problem-centered** or **Issue-centered**. Note that the boundary between these two types is blurry, but in general the former tends to start with a specific problem or activity in an actual/current setting and leverage theory, while the latter tends to start with a topic or area of expertise but offer practical insights. The challenge of the Problem-centered projects is to adequately leverage theory to structure and understand the problem. The challenge of the Issue-centered projects is to adequately display real-life relevance and impact; these projects take a more academic approach and tend to focus on a survey of the “state-of-knowledge” today, but they should not be exclusively academic and seek some form of practical insight or application (i.e., “the general implications for firm practice are…”).

**Problem-Centered Project:**

“There is a problem in a specific setting which requires analysis and comprehension, leveraging theory (theories) to do the analysis and come up with concrete recommendations.”

- Example: In encountered the issue of managing risk in an international setting within my export-oriented company.

**Issue-Centered Project (sample):**

“There is a general issue in the business/management world which I want to understand better, broadening my competence through wider reading and research and then developing new insights through the project. That is, I want to take a further step towards building my expertise in this area of knowledge.”

- Example: I would like to know more about financing by issuing equity.

Beyond these general categories, we will not offer more specific guidance. Rather, the MFIN project process works best if we respond to participants’ ideas. This is why we require a short, 1-page proposal from the participant and his/her partner. This is the best way, we have found, to give guidance and make sure the projects are doable and appropriate.