



King Saud University
Department of Mathematics

Syllabus of ACTU 262, First semester 1445 H

Course code: ACTU 262

Course title: Actuarial Corporate finance

Pre-Requisite: FIN 200

Instructor: Souhail Chebbi

Room 1A71, Building 4, Mathematics Department.

Text Book:

Fundamentals of Corporate Finance,

S. A. Ross, R. W. Westerfield and B. D Jordan, McGraw-Hill/Irwin, Ninth Edition, 2010.

References:

Berk Jonathan and Demarzo Peter, Corporate Finance, Pearson Series in Finance, 4th Edition, 2017.

Course objectives

1. Gain the necessary skills required to understand the basic concepts and feel comfortable reading, interpreting, and discussing financial statements for decision-making.
2. Learn the language of business that is used to communicate the firm's financial and economic information to external parties, such as creditors or shareholders.
3. Know and understand the financial issues that relate to most companies, investors, such as market efficiency, stocks, bonds, capital structure, and dividend policy.
4. Learn how to evaluate stocks through the method of relative valuation while knowing the resources that financial institutions use to obtain capital for their objects.

Course learning outcomes

Students completing this course successfully will be able to:

- Determine a firm's Cash flow from its financial statements.
- Standardize financial statements for comparison purposes and how to compute and, more importantly, interpret some common ratios.
- Recognize the determinants of a firm's profitability.
- Apply the percentage of sales method
- Compute the external financing needed to fund a firm's growth.
- Determine the future and present value of investments with multiple cash flows.
- Calculate loan payments, how interest rates are quoted on a loan and give the amortization schedule of loans
- Calculate bond values and yields to maturity.
- Evaluate stock prices by using some growth models of dividends.
- Determine the relevant cash flows for a proposed project and if a project is acceptable.
- Evaluate the equivalent annual cost of a project.

Course Contents

No	List of Topics	Contact Hours
1	<p>INTRODUCTION TO CORPORATE FINANCE</p> <ul style="list-style-type: none"> a. Corporate Finance and the Financial Manager b. Forms of Business Organization. c. The Goal of Financial Management. d. The Agency Problem and Control of the Corporation. 	6
2	<p>FINANCIAL STATEMENTS, TAXES, AND CASH FLOW</p> <ul style="list-style-type: none"> a. The Balance Sheet b. The Income Statement c. Taxes d. Cash Flow 	6
3	<p>WORKING WITH FINANCIAL STATEMENTS</p> <ul style="list-style-type: none"> a. Standardized Financial Statements b. Ratio Analysis c. The Du Pont Identity d. Using Financial Statement Information 	6
4	<p>LONG-TERM FINANCIAL PLANNING AND GROWTH</p> <ul style="list-style-type: none"> a. What Is Financial Planning b. Financial Planning Models: A First Look c. The Percentage of Sales Approach d. External Financing and Growth e. Some Caveats Regarding Financial Planning Models 	6
5	<p>INTRODUCTION TO VALUATION: THE TIME VALUE OF MONEY</p> <ul style="list-style-type: none"> a. Future Value and Compounding b. Present Value and Discounting c. More about Present and Future Values 	3
6	<p>DISCOUNTED CASH FLOW VALUATION</p> <ul style="list-style-type: none"> a. Future and Present Values of Multiple Cash Flows b. Valuing Level Cash Flows: Annuities and Perpetuities c. Comparing Rates: The Effect of Compounding d. Loan Types and Loan Amortization 	3
7	<p>INTEREST RATES AND BOND VALUATION</p> <ul style="list-style-type: none"> a. Bonds and Bond Valuation b. More about Bond Features 	3

	<ul style="list-style-type: none"> c. Bond Ratings d. Some Different Types of Bonds e. Bond Markets f. Inflation and Interest Rates g. Determinants of Bond Yields 	
8	<p>STOCK VALUATION</p> <ul style="list-style-type: none"> a. Common Stock Valuation b. Some Features of Common and Preferred Stocks c. The Stock Markets 	3
9	<p>NET PRESENT VALUE AND OTHER INVESTMENT CRITERIA</p> <ul style="list-style-type: none"> a. Net Present Value b. The Payback Rule c. The Discounted Payback d. The Average Accounting Return e. The Internal Rate of Return f. The Profitability Index g. The Practice of Capital Budgeting 	3
10	<p>MAKING CAPITAL INVESTMENT DECISIONS</p> <ul style="list-style-type: none"> a. Project Cash Flows: A First Look b. Incremental Cash Flows c. Pro Forma Financial Statements and Project Cash Flows d. More about Project Cash Flow e. Alternative Definitions of Operating Cash Flow f. Some Special Cases of Discounted Cash Flow Analysis 	6
Total		45

Grading	Percentage	Week Due
Midterm Exam 1	20%	5
Midterm Exam 2	20%	10
Project	20%	13
Final Exam	40%	15 or 16
Total	100%	