

Corporate Finance

1. Course Description

This course is designed for **graduate students from overseas**. From the global and sustainable perspective, it introduces both conceptual theory and practical technique of financial management within a firm. Through various problems and cases, students should be able to arrive at short-term and long-term decision-making, covering areas like investment decision, financing and capital structure decisions as well as security valuations.

2. Course Objectives and Requirements

1. Course Objectives: This course exposes students to essential knowledge, primary principles and theories in corporate finance to enable them to understand corporate investment and financing decision and have some insight into the features of advanced modern corporate finance theories and practices. In addition, this course aims to provide some basic idea of the determinants and consequences of certain financial choices. Overall, students should be able to arrive at some rational decision regarding financial choices in practice after attending this course.

2. Requirements : Students are expected to get prepared for lectures, read the papers, and finish assignments as required.

3. Course Arrangement

Unit 1	Topics
	Introduction of Corporate Finance
Sesion1-2	1.1 Orientation 1.2 Introduction to Corporate Finance <ul style="list-style-type: none">• What is corporate finance?• The importance of cash• The objective of corporate finance• Agency problem• Ethics, social responsibility and sustainability

	Class discussion 1 <ul style="list-style-type: none"> • As financial managers, why should we care about ethics? <ul style="list-style-type: none"> ▪ What the difference between ethics and law? ▪ What are the possible consequences if we disobey the ethics? Group discussion 2 <ul style="list-style-type: none"> • Why should the companies care about social welfare or sustainability? <ul style="list-style-type: none"> ▪ How do you understand the social responsibility of a firm? ▪ The original goal of corporate finance is to maximize the welfare of shareholders, what do you think of this objective?
Required Readings	Text book chapter 1
Case	The accounting fraud of Enron Company. (The students need to collect the relevant information of Enron case by themselves)

Unit 2	Topics Basic Theories of Morden Finance
Sesion3-6	2.1 Time value of money <ul style="list-style-type: none"> • Valuation: The One-Period Case • The Multi-period Case • Compounding Periods • Simplifications 2.2 Risk and returns <ul style="list-style-type: none"> • Risk and Return-Lessons from history data • Portfolio theory • CAPM model
	In-class exercise <ul style="list-style-type: none"> • The exercise of time value of money Application <ul style="list-style-type: none"> • Using Excel to calculate time value of money. Assignment <ul style="list-style-type: none"> • Find the related data of a listed company and estimate its beta using historical data
Required Readings	Chapter 4, 10, 11 of text book

Suggested reading	http://www.fonerbooks.com/interest.htm
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Unit 3	Topics Valuation
Session 7--8	3.1 Bonds and Bond valuation <ul style="list-style-type: none"> • Bonds' features • Valuation of Bond • Government and Corporate Bonds • Determinants of Bond Yields • Term structure • Bond Markets 3.2 Stocks and Stock valuation <ul style="list-style-type: none"> • The features of stock • The valuation of stock • Stock market
	Case Study <ul style="list-style-type: none"> • Case: Bond valuation-Walt Disney • Case: Stock valuation-Walmart
Required Readings	Chapter 8, 9 of text book
Case	Case: Bond valuation-Walt Disney Case: Stock valuation-Walmart

Unit 4	Topics Investment Decisions
Sesion9-13	4.1 NPV and other investment rules <ul style="list-style-type: none"> • Why Use Net Present Value? • The Payback Period Method • The Discounted Payback Period Method • The Internal Rate of Return • Problems with the IRR Approach • The Profitability Index

	<ul style="list-style-type: none"> • The Practice of Capital Budgeting 4.2 Capital investment decisions <ul style="list-style-type: none"> • Incremental Cash Flows • The Baldwin Company: A Case • Inflation and Capital Budgeting • Alternative Definitions of Operating Cash Flow • Investments of Unequal Lives
	Class discussion <ul style="list-style-type: none"> • What should you do if you have limited funds to investment? What is your decision making rule? • What could you do when you make investment decision if you are a manager of a company that is aimed at improving social welfare and sustainability? • Why NPV is the best decision making rule?
Required Readings	Chapter 5, 6 of text book Case material: The Baldwin Company (In PPT)

Unit 5	Topics Financing Decisions
Sesion14-1 7	5.1 Capital structure <ul style="list-style-type: none"> • The Capital Structure Question and The Pie Theory • Maximizing Firm Value versus Maximizing Stockholder Interests • Financial Leverage and Firm Value: An Example • Modigliani and Miller: Proposition II (No Taxes) • Taxes • Bankruptcy cost • Agency Theory • Signaling Theory 5.2 Cost of Capital <ul style="list-style-type: none"> • The Cost of Equity Capital • Cost of Fixed Income Securities • The Weighted Average Cost of Capital • Valuation with WACC Group Presentation Questions & Answers

	<p>Wrap up</p> <p>Close Book Exam</p>
	<p>Class discussion1</p> <ul style="list-style-type: none"> • Do you think there are conflicts between debt holders and shareholders? • If we want the firm to sustain for a long time, will you take the debtholders' interest into consideration? <p>Class discussion2</p> <ul style="list-style-type: none"> • What would be the possible reasons for a firm to increase its financial leverage? <p>Case Discussion</p> <ul style="list-style-type: none"> • Estimating Eastman Chemical's cost of capital
Required Readings	<p>Chapter 16, 17 of text book</p> <p>Case material: Eastman Chemical (In PPT)</p>
Suggested reading	<p>Reading material: A road map of IPO</p> <p>Reading material: Proxy statement of IBM</p>

4. Teaching Methods

Lectures, Discussions, Exercise, Case Analysis, Presentation. etc.

5. Learning Outcomes Expected

Category	Learning Outcomes
Master of Knowledge	<ol style="list-style-type: none"> 1. Master the basic concepts, basic theory and application of corporate finance 2. Familiar with time value of money 3. Familiar with portfolio theory and CAPM 4. Familiar with relevant cash flow 5. Familiar with financial market 6. Master the process and basic methods of investing decisions 7. Master the process and basic methods of financing decisions 8. Understanding the theories and methods of valuation
Intellectual abilities learned	<ol style="list-style-type: none"> 1. The ability to be choose financial policies with the idea of sustainable development in mind 2. The ability of scientific thinking 3. Flexibility and adaptability when facing the fast changing environment and globalization.
Practical skills learned	<ol style="list-style-type: none"> 1. The skills of using time value of money in company even personal financial decisions. 2. The skills to estimate relevant cash flow of a project. 3. The skills to calculate the return and risk of a portfolio 4. The skills to choose the most profitable investments. 5. The skills to calculate cost of capital and using it when making the capital structure decision
Personal competences and	<ol style="list-style-type: none"> 1. The competence of thinking questions by using globalization view and the idea of sustainable development

characters Cultivated	<ol style="list-style-type: none"> 2. The managerial competence of being good at planning, calculating and analysis 3. The competence of being creative 4. Character of "respect others " 5. Responsibility 6. The team spirit of cooperation
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6. Performance Evaluation: Means & Ratio

Evaluation Means	Ratio (%)	Relation to the Intended Learning Outcomes
Team and individual assignments	30	Focusing on case analysis, evaluate the abilities of using the knowledge of corporate finance to analyze and solve the practical problems. It also helps to evaluate the characters cultivated like "team spirit of cooperation".
Attendance and Engagement	20	Evaluate the abilities of scientific thinking and the understanding of the knowledge learned in this course. It also helps to evaluate the characters cultivated like "being creative", "show respect to others", etc.
Exam	50	Mainly focus on checking whether the students understand the basic concepts, important theories on these modules such as what determines the value of a bond? What are theories of capital structures? How to decide whether to invest a project or not, etc. It also helps to check the practical skill the students learned from this course, such as, how to calculate the return of a portfolio, what is the cost of capital of this company, etc.

7. Textbook, References and Reading Materials

1) Textbook

Stephen A. Ross, Randolph W. Westerfield & Jeffery F. Jaffe, Corporate Finance, 9th Edition, China Machine Press

2) References

Richard A. Brealey, Stewart Myers and Franklin Allen, Principles of Corporate Finance 10th Edition

Jonathan Berk & Peter Demarzo, Corporate Finance, Pearson International Edition

3) Reading Materials

The roadmap of IPO

Proxy statement of IBM

<http://www.fonerbooks.com/interest.htm>

8. Cases

[1] Ethics-Enron case.

[2] Bond valuation- Walt Disney

[3] Stock valuation-Walmart

[4] NPV- The Baldwin Company

[5] WACC- Eastman Chemical

9. Assignment Requirements

Assignment.

Select any public listed company by yourself, using the knowledge of this course, try to describe, analyses and evaluate its financial choices, such capital structure choices. Finally, please raise some suggestions on the issue you are interested in.

Requirements

- 1) Form the group, each group consists of 5-6 students.
- 2) Choose your topic and collect relevant information.
- 3) Write a report. No more than 5 pages.
- 4) Present your findings in class (Each group should hand in a hard copy and a soft copy of their PPT and report before presentation)

The criteria of assignment evaluation (100 points)

Assessment Criteria Grid	Max. points	Points Attributed
Comprehension of key issues: <ul style="list-style-type: none"> Understanding of concepts Ability to apply concepts to new context/s Proper use of subject matter vocabulary Addressed fully the assignment requirements 	20%	
Analysis: <ul style="list-style-type: none"> Display of critical thinking relative to subject matter Application of key models and concepts to the analysis Ability to apply concepts/models from other disciplines to the analysis 	20%	
Structure & presentation: <ul style="list-style-type: none"> Well-structured ideas and information Clarity of presentation Professional layout – tables, figures, images, headings, hierarchy of 	20%	



information		
<ul style="list-style-type: none">• Use of transitions and interim conclusions		
Conclusions & recommendations: <ul style="list-style-type: none">• Logical continuation of reasoning/ideas/analysis developed in assignment• Concision and relevancy to the analysis• Relevance to the analysis	20%	
References & citation: <ul style="list-style-type: none">• Citations within paper• Proper format of citation and no acts of plagiarism (intentional or unintentional)• Reference/Bibliography section• Depth and breadth of sources	10%	
Other: <ul style="list-style-type: none">• Elements of assessment at Professor's discretion relative to the discipline• Creativity and originality of ideas/approach/analysis/findings• Demonstrated general attainment of module learning objectives	10%	
TOTAL	100%	

Accessories:

1. The course PPT
2. Case material
3. Other teaching material (such as reading materials, the articles)
4. Study guide