

Corporate Finance

Department: School of Economics

Course Code	ECON130248		
Course Title	Corporate Finance		
Credit	4	Credit Hours	72
Course Nature	<input type="checkbox"/> Specific General Education Courses <input type="checkbox"/> Core Courses <input type="checkbox"/> General Education Elective Courses <input type="checkbox"/> Basic Courses in General Discipline <input checked="" type="checkbox"/> Professional Compulsory Courses <input type="checkbox"/> Professional Elective Courses <input type="checkbox"/> Others		
Course Objectives	<p>After you finish the course, you are supposed to</p> <ul style="list-style-type: none"> ● Understand basic concepts in finance, such as discounting, present value, future value, annuities, net present value and compound interest. ● Evaluate investment projects in firms with the NPV rule as well as Payback and IRR. ● Estimate project cash flows based on the <i>pro forma</i> financial statements. ● Calculate WACC with proper estimation of cost of debt, cost of equity and the debt and equity ratio. ● Understand the implicit costs in debt and equity financing and the factors that would affect a company's capital structure decisions. ● Understand how to value a firm by estimating its cash flows and cost of capital. 		
Course Description	<p>This is a preliminary course in finance major. The objective is to provide students with fundamental financial concepts and theories as well as the applications in making corporate financial decisions. It is also a precedent of many advanced courses in the finance track, including Financial Markets and Institutions, Investments, Futures and Options, and Multinational Business Finance.</p> <p>The teaching content is composed of four parts. Part I introduces basic concepts in finance such as financial assets, opportunity cost, PVs, FVs, and NPVs. Part II demonstrates how to make firm investment decisions based on the estimation of project cash flows and calculation of project PV and other criteria. Part III explains why the opportunity cost of capital (the required rate of</p>		

	return, or the discount rate) is determined in the security market, or, the CAPM. Part IV discusses financing decisions, mainly how to be financed with debt and equity. Short-term financial decisions, financial statements analysis and other advanced topics in corporate finance will NOT be covered.
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Course Requirements:

Prerequisite courses include Introductory Micro Economic/Managerial Economics and Introductory Accounting. Students are required to attend each class, complete the take-home assignments and take the examinations. Raising questions and discussions in the class are greatly encouraged.

Teaching Methods:

75% lecturing, 15% class exercises, 10% class discussion

Instructor's Academic Background:

Dr. ZHANG is currently an associate professor in the Department of Finance, School of Management, Fudan University. She got her PhD in Management Science and Engineering in Fudan University, her master's degree in Computer Science and Engineering at Southeast University, and her bachelor's degree in Computer Science in East China Normal University. She has worked as a visiting scholar in Columbia University (2008-2009) and MIT Sloan School of Management (2000).

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Members of Teaching Team				
Name	Gender	Professional Title	Department	Responsibility
Xiaorong Zhang	Female	Associate Professor		

Course Schedule:

Module 1: Introduction to Corporate Finance

1. What is Corporate Finance?
2. Financial Assets and Financial Markets
3. Financial Decisions: Investment vs. Financing
4. Goal of Financial Management
5. Corporate Structure and Corporate Governance
6. Review of Financial Statements (B/S and I/S)

READING: BMA Chapter 1, 14-4

Module 2: Fundamental Concepts

1. Discounting, Future Values, Present Values and Net Present Values
2. Discount rate and Opportunity Cost of Capital
3. PV Calculation Short Cuts
4. Compound Interest

READING: BMA Chapter 2

ASSIGNMENT 1

Module 3: Making Investment Decisions

1. Comparing the Criteria: NPV, Payback, IRR, PI
2. Cash Flow Analysis: Investment CF, Salvage CF, OCF and ΔNWC
3. Choice between Long- and Short-Lived Equipment

READING: BMA Chapter 5, 6

ASSIGNMENT 2

Mid-term Examination

Module 4: Valuing Bonds and Common Stocks

1. Using PV Formulas to Value Bonds
2. How Bond Prices Vary With Interest Rates
3. DDM Model: Stock Prices and Dividends
4. Capitalization Rates and the Cost of Equity Capital
5. PVGO: Link between Stock Price and EPS

READING: BMA Chapter 3, 4

ASSIGNMENT 3

Module 5: Risk, Return and CAPM

1. Risk and Return for Individual Stocks
2. Mean-Variance Model : How Individual Stock Affects the Portfolio
3. Portfolio Theory and CAPM

4. Estimating beta and the Cost of Equity with CAPM

READING: BMA Chapter 7, 8

ASSIGNMENT 4

Module 6: Making Financing Decisions

1. WACC and Financial Leverage
2. Financing with Debt Capital
3. Financing with Equity Capital: VC, IPO and Seasoned Offerings
4. The Trade-off Theory of Capital Structure

READING: BMA Chapter 15, 17, 18

ASSIGNMENT 5

Final Examination

Grading & Evaluation:

Class Attendance: 15%

5 take-home assignments: 25% (5% each)

Will be checked by the TA

Midterm: 25%

Cover Modules 1, 2 and 3, closed-book with one cheating sheet. If you miss the midterm, your final will carry a weight of 50% towards your course grade.

Final: 35%

Cumulative, closed-book with one cheating sheet

Passing grade: 60, below 60 = fail. There will be no make-up exam.

Teaching Materials & References:

Richard A. Brealey, Stewart C. Myers, Franklin Allen, *Principles of Corporate Finance*, McGraw Hill, 12th Edition, McGraw-Hill International Edition, 2018 (BMA)

Notes: The syllabus will be subject to changes.