



Shanghai Jiao Tong University

FI410 Corporate Finance

<b>Instructor:</b>	Xiaorong Zhang	<b>Email:</b>	xrzhang@fudan.edu.cn
<b>Home Institution:</b>	Fudan University	<b>Office:</b>	TBD
<b>Office Hours:</b>	TBD		
<b>Term:</b>	2 July - 2 August, 2018	<b>Credits:</b>	4 units
<b>Classroom:</b>	TBD	<b>Teaching Assistant(s):</b>	TBD
<b>Class Hours:</b>	Monday through Thursday, 5.30-7.30 pm		
<b>Discussion Session:</b>	2 hours each week, led by teaching assistant(s)		
<b>Total Contact Hours:</b>	66 contact hours (1 contact hour = 45 mins, 3000 mins in total)		
<b>Required Texts (w/ ISBN):</b>	Richard A. Brealey, Stewart C. Myers, Franklin Allen, <i>Principles of Corporate Finance</i> , McGraw Hill, 12 <sup>th</sup> Edition, McGraw-Hill International Edition, 2017 (BMA)		
<b>Prerequisite:</b>	N/A		



### Course Description

The objective of this course is to provide the students with fundamental financial theories and basic techniques in understanding and making corporate financial decisions. The course is also a precedent of many advanced including Financial Markets and Institutions, Investments, and Multinational Financial Management.

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 explains firm investment decisions based on the calculation of project PV and other criteria, Part III illustrates how the opportunity cost of capital (the required rate of return, or the discount rate) is determined in the security market, i.e., CAPM, and Part IV discusses financing decisions, mainly financing with debt or equity. Short-term financial decisions, financial statements analysis and other advanced topics in corporate finance will *NOT* be covered.

### Grading Policy

Classroom attendance and participation	15%
Take-home assignments	15%
Mid-term examination	20%
Final examination (individual)	50%

### Grading Scale

Number grade	Letter grade	GPA
90-100	A	4.0
85-89	A-	3.7
80-84	B+	3.3
75-79	B	3.0
70-74	B-	2.7
67-69	C+	2.3
65-66	C	2.0
62-64	C-	1.7
60-61	D	1.0
≤59	F (Failure)	0



Course Schedule

Date	Content	Reading & Assignment
<b>Part I Fundamental Concepts</b>		
<b>2-Jul</b>	<b>Introduction to Corporate Finance</b> What is Corporate Finance/Financial Management? Financial Management Environment: Financial Assets and Financial Markets	BMA Chapter 1-1, 1-2, 14-4
<b>3-Jul</b>	<b>How to Calculate Present Values</b> Financial Decisions: Investment vs. Financing Goal of Financial Management Future Values, Present Values and Net Present Values	BMA Chapter 2-1, 2-2  ASSIGNMENTS: Chapter 2-13, 14, 23
<b>4-Jul</b>	<b>How to Calculate Present Values (1)</b> Discount rate and Opportunity Cost of Capital PV Calculation Short Cuts	BMA Chapter 2-2, 2-3 ASSIGNMENTS: Chapter 2-18, 24(a)(b),
<b>5-Jul</b>	<b>How to Calculate Present Values (2)</b> Compound Interest	BMA Chapter 2-4 ASSIGNMENTS: Chapter 2-22, 25(a)(b)(c)
<b>Part II Investment Decisions</b>		
<b>9-Jul</b>	<b>Valuing Bonds</b> Using PV Formulas to Value Bonds How Bond Prices Vary With Interest Rates DDM Model: Stock Prices and Dividends	BMA Chapter 3-1, 3-2, 4-1  ASSIGNMENTS: Chapter 3-16, 17, 4-6
<b>10-Jul</b>	<b>Valuing Common Stocks</b> Capitalization Rates and the Cost of Equity Capital PVGO: Link between Stock Price and EPS Valuing Commons Stocks by Comparables	BMA Chapter 4-2, 4-3, 4-4  ASSIGNMENTS: Chapter 4-18, 20, 24
<b>11-Jul</b>	NPV and Other Investment Criteria Payback, IRR, PI and Comparing the Criteria Illustrative Case: Investment Criteria Do Not Solve All Your Problems	BMA Chapter 5 ASSIGNMENTS: Chapter 5-8, 11, 14



<b>12-Jul</b>	<b>Making Investment Decisions with the NPV Rule (1)</b> Four Rules in Estimating CFs More Words on Opportunity Costs and Sunk Costs Cash Flow Analysis: Investment CF, Salvage CF, OCF and $\Delta NWC$	BMA Chapter 6-1, 6-2  ASSIGNMENTS: Chapter 6-8, 14, 21
<b>16-Jul</b>	<b>Making Investment Decisions with the NPV Rule (2)</b> Equivalent Annual Cost (EAC) Choice between Long- and Short-Lived Equipment Optimal Replacement of an Old Machine	BMA Chapter 6-3  ASSIGNMENTS: Chapter 6-28(a)(b), 30
<b>17-Jul</b>	<b>Project Analysis and Mid-term Review</b> Project Uncertainty: the “Expected” is Not Necessarily the Result Sensitivity Analysis and Scenario Analysis Break-even Analysis and Operating Leverage	BMA Chapter 10-1,10-2  ASSIGNMENTS: Chapter 10- 10, 12(a)-(d)
<b>18-Jul</b>	<b>Mid-term Examination</b>	
<b>Part III Risk and Return</b>		
<b>19-Jul</b>	<b>Introduction to Risk and Return</b> Data and Trend in the US Capital Market History Defining Risk and Return in the Stock Market Diversification: Risk and Return for Portfolios	BMA Chapter 7-1,7-2, 7-3  ASSIGNMENTS: Chapter 7-14, 19, 20
<b>23-Jul</b>	<b>Markowitz Mean-Variance Model</b> How Individual Stocks Affect the Portfolio Introducing Lending and Borrowing in Portfolio Theory	BMA Chapter 7-4, 8-1, 8-2  ASSIGNMENTS: Chapter 8-12, 15, 16
<b>24-Jul</b>	<b>Capital Asset Pricing Model (CAPM)</b> Security Market Line and CAPM Estimating beta and the Cost of Equity Understanding and Calculating WACC	BMA Chapter 8-3, 9-1, 9-2  ASSIGNMENTS: Chapter 8-16;9-11, 14
<b>Part IV Making Financing Decisions</b>		



<b>25-Jul</b>	<b>How Firms Issue Securities</b> External Financing vs. Internal Funds Common Stocks Types Debt Types Financing with Equity Capital: VC, IPO and Seasoned Offerings	BMA Chapter 14 (1)-(4); 15  ASSIGNMENTS: Chapter 15-13, 14
<b>26-Jul</b>	<b>Does Debt Policy Matter</b> Reviewing WACC and Financial Leverage MM Theory 1 and MM Theory II How Debt Affects Equity Beta	BMA Chapter 17-1. 17-2, 17-3  ASSIGNMENTS: Chapter 17-11, 12
<b>30-Jul</b>	<b>Capital Structure Theories and Decisions</b> How Debt Affects After-tax WACC Benefit from Borrowing: Interest Tax-shield Costs in Borrowing: Cost of Financial Distress	BMA Chapter 17-4,18-1, 18-2  ASSIGNMENTS: Chapter 17-13,19
<b>31-Jul</b>	<b>Capital Structure Theories and Decisions</b> The Trade-off Theory of Capital Structure The Pecking Order of Financing Choices	BMA Chapter 18-3, 18-4 ASSIGNMENTS: Chapter 18-12, 15, 18
<b>1-Aug</b>	<b>Course Wrap-up and Problem Solving</b>	
<b>2-Aug</b>	<b>Final Exam (one cheating sheet allowed)</b>	