



## Shanghai Jiao Tong University

### FI410 Corporate Finance

<b>Instructor Information:</b>	Nazmi Saeb Jarrar Home Institution: Melbourne Institute of Technology Email: nazmij@hotmail.com Office Hour: Determined by Instructor		
<b>Term:</b>	December 16, 2019 - January 7, 2020	<b>Credits:</b>	4 units
<b>Class Hours:</b>	Monday through Friday, 160 mins per teaching day		
<b>Discussion Sessions:</b>	2 hours each week, conducted by teaching assistant(s)		
<b>Total Contact Hours:</b>	64 contact hours (1 contact hour = 45 mins, 2880 mins in total)		
<b>Required Texts (with ISBN):</b>	Jonathan Berk and Peter DeMarzo - Corporate Finance, 4 <sup>th</sup> edition, Pearson. (ISBN 9781292160160)		
<b>Prerequisite:</b>	Students are expected to have a thorough knowledge of all material covered in an introductory finance course.		



## Course Overview

The course provides in depth analyses of financial issues confronting most firms, with a strong focus on application and practical relevance. Key topics covered include capital structure, financing & dividend policy, real option valuation, risk management and mergers & acquisitions.

## Course Goals

After successfully completing this course you should be able to:

- Determine the optimal capital structure for a firm.
- Estimate a firm's weighted average cost of capital under classical system, and analyze the relationship between capital structure, the cost of capital and value.
- Perform an internally consistent corporate valuation using the discounted cash flow approach.
- Evaluate equity financing options.
- Estimate the impact on a firm's cash flows from implementing a risk management policy using options contracts and estimate the intrinsic value of those contracts.
- Identify real options which are likely to affect firm value and perform a real options valuation.
- Analyze whether a proposed corporate transaction is in the best interests of the firm's shareholders.

## Grading Policy

Mid-semester Exam	30%
Case Study (Individual Assignment)	20%
Final Exam	50%



**Grading Scale is as follows**

<b>Number grade</b>	<b>Letter grade</b>	<b>GPA</b>
90-100	A	4
85-89	A-	3.7
80-84	B+	3.3
75-79	B	3
70-74	B-	2.7
67-69	C+	2.3
65-66	C	2
62-64	C-	1.7
60-61	D	1
≤59	F (Failure)	0



### Class Schedule

Day	Lecture	Chapter
Day 1	Capital Budgeting Decisions: Course overview, and review of capital budgeting techniques and identify the reasons for the superiority of NPV over other capital budgeting techniques.	Chapter 7
Day 2	Capital Structure I: Optimal capital structure in a perfect capital market	Chapter 14
Day 3	Capital Structure II: Optimal capital structure with taxes	Chapter 15
Day 4	Capital Structure III: Optimal capital structure with financial distress costs	Chapter 16
Day 5	Weighted-Average Cost of Capital: Overview of WACC issues, WACC estimation	Chapter 12
Day 6	Mid-semester Exam Review	Chapters 7, 14, 15, 16 & 12
Day 7	Mid-semester Exam	N/A
Day 8	Corporate Valuation: Practical session on how to construct an internally consistent corporate valuation model	Chapter 8
Day 9	Payout Policy: Modigliani-Miller, taxes, managers' incentives for setting dividends, dividends as signals of firms' prospects	Chapter 17
Day 10	Raising Equity Capital: Raising capital using equity	Chapter 23
Day 11	Financial Options: The basics of option pricing	Chapter 20 and Section 21.2
Day 12	Real Options	Chapter 22
Day 13	Mergers and Acquisitions	Chapter 28
Day 14	Review Lecture: Course revision	Chapters 8, 17, 23, 20, 21.2, 22 & 28
Day 15	Final Exam	N/A