



Shanghai Jiao Tong University

FI410 Corporate Finance

Instructor Information	TBD		
Term	June 29, 2020 - July 24, 2020	Credits:	4 units
Class Hours	Monday through Friday, 120 mins per teaching day		
Discussion Sessions	2 hours each week, conducted by teaching assistant(s)		
Total Contact Hours	66 contact hours (1 contact hour = 45 mins, 3000 mins in total)		
Required Texts (with ISBN)	Jonathan Berk and Peter DeMarzo - Corporate Finance, 4 th edition, Pearson. (ISBN 9781292160160)		
Prerequisite	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

Number grade	Letter grade	GPA
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 1	Corporate Valuation: Practical session on how to construct an internally consistent corporate valuation model	Chapter 8
Day 3	Capital Structure I: Optimal capital structure in a perfect capital market	Chapter 14
Day 4	Optimal Portfolio Choice and the Capital Asset Pricing Model	Chapter 11
Day 5	Weighted-Average Cost of Capital: Overview of WACC issues, WACC estimation	Chapter 12
Day 6	Investor Behavior and Capital Market Efficiency	Chapter 13
Day 7	Capital Structure II: Optimal capital structure with taxes	Chapter 15
Day 8	Capital Structure III: Optimal capital structure with financial distress costs	Chapter 16
Day 9	Mid-semester Exam Review	
Day 10	Mid-semester Exam	N/A
Day 11	Payout Policy: Modigliani-Miller, taxes, managers' incentives for setting dividends, dividends as signals of firms' prospects	Chapter 17
Day 12	Capital Budgeting and Valuation with Leverage	Chapter 18
Day 13	Valuation and Financial Modeling	Chapter 19
Day 14	Raising Equity Capital: Raising capital using equity	Chapter 23
Day 15	Financial Options: The basics of option pricing	Chapter 20 and Section 21.2
Day 16	Real Options	Chapter 22



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Day 17	Debt Financing	Chapter 24
Day 18	Mergers and Acquisitions	Chapter 28
Day 19	Review Lecture: Course revision	
Day 20	Final Exam	N/A