



Shanghai Jiao Tong University

FI410 Corporate Finance

Instructor Information	Samuel Kwok Home Institution: Xi'an Jiaotong-Liverpool University Email: Samuel_kwok18@hotmail.com Office Hours: Determined by Instructor		
Term	December 17, 2020 - January 8, 2021	Credits	4 units
Class Hours	Sunday through Thursday, 135 mins per teaching day		
Discussion Sessions	2 hours each week, conducted by teaching assistant(s)		
Total Contact Hours	64 contact hours (1 contact hour = 45 mins, 2880 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.		
The course might be moved to online delivery due to COVID-19 pandemic. The anticipated date is November 6, 2020.			

Course Overview

This course presents the foundations of finance with an emphasis on applications vital for corporate managers. We discuss most of the major financial decisions made by corporate managers both within the firm and in their interactions with investors. Essential in most of these decisions is the process of valuation, which will be emphasized throughout the course. Topics include criteria for making investment decisions, valuation of financial assets and liabilities, relationships between risk and return, capital structure choice, payout policy, the effective use and valuation of derivative securities (futures, options, and convertible securities), and risk management.

Learning Outcomes

After successfully completing this course you should be able to:

1. Determine the optimal capital structure for a firm.
2. 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.
3. Perform an internally consistent corporate valuation using the discounted cash flow approach.
4. Evaluate equity financing options.
5. 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.
6. Identify real options which are likely to affect firm value and perform a real options valuation.
7. Analyze whether a proposed corporate transaction is in the best interests of the firm's shareholders.



Grading Policy

Mid-term Exam	25%
Case Study	25%
Final Exam	50%

Grading Scale is as follows

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

Class Schedule

Date	Lecture	Readings
Day 1	Capital Budgeting Decisions: Course overview, and review of Time Value of Money	Chapter 3&4
Day 2	Interest Rates	Chapter 5
Day 3	Discounted Cash Flow (DCF) Analysis	Chapter 8
Day 4	Capital Structure I: Optimal capital structure in a perfect capital market	Chapter 14
Day 5	Capital Structure II: Optimal capital structure with taxes; Case Study	Chapter 15
Day 6	Capital Structure II: Optimal capital structure with taxes;	Chapter 15
Day 7	Capital Structure III: Optimal capital structure with financial distress costs	Chapter 16
Day 8	Weighted-Average Cost of Capital: Overview of WACC issues, WACC estimation	Chapter 12
Day 9	Mid-semester Exam Review	Chapter 3, 4, 5, 8, 12, 14, 15, 16
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	Fixed Income Securities	Chapter 6
Day 13	Valuing Stocks	Chapter 9
Day 14	Risk and the Cost of Capital	Chapter 10
Day 15	CAPM	Chapter 11
Day 16	Financial Options: The basics of option pricing	Chapter 20 and Section 21.2
Day 17	Mergers and Acquisitions Final Exam Review	Chapter 28
Day 18	Final Exam	N/A