



Shanghai Jiao Tong University

FI410 Corporate Finance (Online)

Instructor Information	Fangzhou Liu Home Institution: Shanghai University of Finance and Economics Email: liu.fangzhou@mail.shufe.edu.cn		
Term	June 28, 2021 - July 16, 2021	Credits	4 units
Course Delivery	The class will be delivered online. Other than recorded lecture videos, the instructor will arrange four hours' real-time interactions with students per week (via discussion forum, zoom meeting, and WeChat). Students are expected to spend about 15 hours per week to pass the course.		
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

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.

Academic Integrity

All types of academic dishonest behaviors are strictly prohibited in this course. The academic dishonest behaviors include cheating, plagiarism, fraud or the action of misusing grade etc. The minimum punishment to academic dishonest student is having zero score in the exam/homework. Other outcomes may include informing related department of university and punish in line with relevant regulations.

Exams

You will be required to take one midterm and one final. The exams will be given during normal class time. You will be provided with a sheet containing the important formulae.

There are two remarks on exams. First, **no computers or programmable calculators are allowed**. Second, you may use a financial calculator, but you must nevertheless convince me that you know what you are doing: just writing down a result or the variables you keyed in is not convincing, you should write down both the correct formula and the correct result. If your answer seems unconvincing, you won't get full credit, even if the numbers are right.

Exams are mandatory. Exceptions are given only for family or medical emergencies, in which case prior notice and hard evidence are required. If you have to miss a quiz because of these emergencies, then the grade portion of that exam will be cumulated to the grade portion of your final. If it is the final exam, then a make-up final can be arranged. However, there is no guarantee that the make-up final will have the same difficulty and the same type of questions as the common exam.

Cases: I will assign case studies to help you assess your understanding of the concepts learned in class. You may discuss the case study with your classmates, but you must prepare the case by yourself.

Online discussion: You are strongly encouraged to participate in the online discussion. These participations can be in the form of raising questions, providing answers to questions, or bringing related outside materials to the attention of the class.

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	Online Teaching Arrangement
Day 1	Financial Decision Making: Course overview, review of Time Value of Money, and Interest Rates	Chapter 3 & 4 & 5	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 2	Capital Budgeting and Discounted Cash Flow (DCF) Analysis	Chapter 8	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 3	Capital Structure I: Optimal capital structure in a perfect capital market and with taxes	Chapter 14 & 15	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 4	Capital Structure II: Optimal capital structure with taxes; Case Study	Chapter 15	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 5	Capital Structure III: Optimal capital structure with financial distress costs	Chapter 16	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 6	Weighted-Average Cost of Capital: Overview of WACC issues, WACC estimation	Chapter 12	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 7	Mid-term Review	Chapter 3, 4, 5, 8, 12, 14, 15, 16	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 8	Mid-term Exam	N/A	
Day 9	Payout Policy: Modigliani-Miller, taxes, managers' incentives for setting dividends, dividends as signals of firms' prospects	Chapter 17	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 10	Valuing Bonds & Stocks	Chapter 6 & 9	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 11	Risk and the Cost of Capital, CAPM	Chapter 10 & 11	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 12	Financial Options: The basics of option pricing	Chapter 20	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 13	Financial Options: The basics of option pricing	Chapter 20 and Section 21.2	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 14	Mergers and Acquisitions Final Exam Review	Chapter 28	approximately 95 minutes pre-recorded video lectures plus 45 minutes online interaction via Zoom
Day 15	Final Exam	N/A	