



FI410 Corporate Finance

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| Instructor Information | Fangzhou Liu Home Institution: Shanghai University of Finance and Economics Email: liu.fangzhou@mail.shufe.edu.cn Office Hours: Determined by Instructor | | |
| Term | December 13, 2021 - January 7, 2022 | Credits | 4 units |
| Class Hours | Monday through Friday, 120 mins per teaching day | | |
| Discussion Sessions | 2.5 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

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

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|---------------|-----|
| 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 | CAPM | Chapter 11 |
| Day 17 | Financial Options: The basics of option pricing | Chapter 20 |
| Day 18 | Financial Options: The basics of option pricing | Chapter 20 and Section 21.2 |
| Day 19 | Mergers and Acquisitions Final Exam Review | Chapter 28 |
| Day 20 | Final Exam | N/A |