

## Corporate Finance

### Global Program on Economics and Finance (2021 Fall)

<b>Course Title</b>	Corporate Finance		
<b>Credit</b>	3	<b>Credit Hours</b>	48 credit hours
<b>Course Objectives</b>	<p><b>Aim:</b> The unit introduces students to the issues involved in a firm's investment and financing decisions. Students will develop an understanding of the primary financial statements and how a firm raises finance.</p> <p><b>Learning outcomes:</b> By the end of this unit, the student should be able to:</p> <ul style="list-style-type: none"> <li>* Understand the primary financial statements.</li> <li>* Understand the main sources of funds for a firm.</li> <li>* Understand the theoretical basis of the time value of money and the calculation of present values.</li> <li>* Analyze investment appraisal problems using various techniques.</li> <li>* Understand conflicts of interest and agency problems in a listed company;</li> <li>* Know in what circumstances a company should merge, pay dividend or repay its debt;</li> <li>* Analyze working capital management issues and problems</li> </ul> <p><b>Intended skills:</b></p> <ul style="list-style-type: none"> <li>* Intellectual Skills Identifying financial information and analytical techniques relevant to a particular purpose Interpreting the results of analysis in a manner pertinent to a specified problem/objective</li> <li>* Professional Practical Skills Communication skills in relation to reporting on financial information</li> <li>* Transferable/Key Skills Applying a range of quantitative analysis techniques Critical skills in the application of techniques and the interpretation of results</li> </ul>		
<b>Course Description</b>	<p>This course covers various theories including the concept of present value, the opportunity cost of capital, discounted cash flow analysis, a consortium of valuation techniques, issues between short &amp; long term financial management, risk and return, capital asset pricing model, capital budgeting, corporate capital structure and financing decisions, dividend policy and investment.</p>		
<b>Course Requirements:</b>			
Prerequisites: Entry requirements of the University			
<b>Teaching Methods:</b>			
The lecture mode is used to impart basic knowledge and understanding, although lecture sessions will also involve some elements of discussion and workshop activity.			

Student discussion of issues develops understanding and helps develop certain key skills. Workshop activities will be used to address more technical aspects and to give students the opportunity to practice techniques.

The subject requires a good deal of additional reading to supplement the lectures and provide a greater depth of understanding, as well as increasing exposure to the research literature.

The coursework provides an opportunity to practice certain professional and cognitive skills and gain feedback thereon.

### Course Schedule

Week	Topics	Reference <i>Brealey, Myers and Allen</i>	Reference <i>Berk and DeMarzo</i>
1	Basics of corporation	Ch 1	Ch 1
2	Financial Decision Making and The Time Value of Money	Ch 2.1, 2.2 and 2.4	Ch 3.1-3.3, 4.1 – 4.5, and 5.1
3	Valuing Bonds and Stocks	Ch 3.1-3.2, 4.1-4.3	Ch 3.4-3.5, 8.1-8.2, 9.1-9.2
4	Investment Decision Rules	Ch 5	Ch 6
5	Risk and Return	Ch 7 -8	Ch 10, 11
6	The cost of capital	Ch 9	Ch 12
7	Capital Structure in a Perfect Market	Ch 17	Ch 14
8	Optimal Capital Structure	Ch 18	Ch 15, 16.1-16.4
9	Stock Market Efficiency	Ch 13	
10	Payout Policy	Ch 16	Ch 17
11	Options and Revision	Ch 20	Ch 20
12	Mergers	Ch 31	

### The design of class discussion or exercise, practice, experience and so on:

There will be class-discussions when appropriate. And five sets of practice questions will be issued during the semester.

### Grading & Evaluation:

The final grade for the course will be evaluated based on attendance ratio (5%), group assignment (25%) and a final written examination (70%).

#### **Attendance (5%):**

Students are expected to attend all sessions.

#### **Group assignment (25%):**

Based on a group of 3-4 students, each group shall deliver a report of 3,000 words. The topic will be

announced in the middle of the semester.

***Final exam (70%):***

(Summative assessment):

The final examination will take place at the end of the semester and will comprise a 90 minutes closed-book exam paper containing 3 sections covering the entire semester program. Section A will consist of multiple-choice questions; Section B will consist of numerical exercises similar to those covered in the exercise classes; and Section C will consist of longer questions involving some numerical calculations and short essay answers requiring some discussion and/or critical appraisal.

**Formative Assessment**

An on-line mid-term multiple-choice exam will be set towards the end of the term consisting of 30 questions to be answered in 45 minutes. This test does NOT count towards your final grade, but will enable you to assess how well you are progressing on the unit.

**Teaching Materials & References:**

***Essential Text:***

Brealey, Richard A. and Myers, Stewart C. "Principles of corporate finance". McGraw-Hill Irwin. All editions are welcome but latest edition is preferred.

***Supplementary Text:***

Berk, J. and P. DeMarzo (2007) Corporate Finance, (Pearson)