



010798 Corporate Finance

| | | | | | |
|------------------------|---|----------|-----------------------|-------------------|-------------------|
| Course Code | 010798 | | Course Name | Corporate Finance | |
| Instructor | TBA | | Other Teachers | TBA | |
| Course delivery | Lectures | Seminars | Guest Speakers | Group Activities | Field Trip(s) |
| | √ | √ | √ | √ | √ |
| | Tutorials | Projects | Pitch(es) | Presentations | Outreach Workshop |
| | √ | √ | | | Optional |
| Total Hours | 54 in-class contact hours + Self Study Hours This course is worth 6 ECTS points. | | | | |

Course Description

The course introduces students to corporate financial management and the key principles underlying this area. Students are provided with strong foundational knowledge necessary for understanding how corporations make informed financial decisions.

Students will be looking at the types of securities used in raising external funds and other ways of sourcing capital. A thorough market analysis involving external factors such as tax, financial distress, obtaining information and third-party agencies will be made through applying the capital structure theory. Other areas analysed include options and liquidity management.

Towards the end of the course, students are exposed to topics addressing corporate governance and control markets. Theoretical components of the course are supplemented with relevant examples and case studies which help to enhance student understanding on the topic.

Brief Schedule and Topics

1. Course Introduction
2. Corporate Financing Decision
3. Capital Structure in a Perfect Market vs. in an imperfect market
4. Optimal Capital Structure
5. Cost of Capital:
6. Project Valuation
7. Cash Flow Risk Analysis
8. Corporate payout decision
9. Options
10. Corporate Liquidity Management
11. Corporate Cash Holdings
12. The market for Corporate Control
13. Corporate Governance

Learning Objective

By the end of this course you should be able to:

- Understand the factors financial managers should account for when making financial strategies and how this reflects the interests of the firm's shareholders
- Assess a firm's cost of capital using classical and imputation systems and identify the relationship between capital structure, the cost of capital and value.
- Outline how a discounted cash flow valuation and analyse its vulnerability to alternative assumptions based on its discount rate and cash flow
- Highlight the different circumstances or options that could impact on a firm's value and perform an options valuation
- Distinguish the various business structures in place and describe how firms make corporate financial decisions based on these structures including capital budgeting and project evaluation using the risk and return measurements.
- Describe how firms are evaluated through the analysis of debt and equity.

Requirements

Sound knowledge of topics covered in introductory finance courses is a necessary basis for satisfactory completion of this course.

Reference Books

Peirson, G., Brown, R., Easton, S., Howard, P. & Pinder S. Business Finance, McGraw-Hill, 12th edition, 2014

Course materials (including lecture notes, supplementary readings and solutions to assignment questions) are handed out during the class.

Assessments

Assessments in this course include:

Class participation marks (10%)

Active engagement in class activities and discussions are encouraged to consolidate what has been learnt in lectures. Class participation is essential towards developing a comprehensive understanding of the learning outcomes and expectations placed on students. Students are expected to participate and actively engage in all class discussions in order to ensure that they gain more holistic learning experience.

Quiz (2* 20% each):

Length: Two 40 minutes quiz conducted in the class. Task: This is a closed book examination.

Details of the test will be announced and discussed in class.

Final examination (50%):

Length: A two hours formal final examination will be scheduled by the lecture and conducted in the class.

Task: This is a closed book examination.

Students should expect a variety of differently structured questions such as multiple choice answers, short answer questions, and extended responses. Students are expected to attempt all components of the exam to the best of their abilities. Students will be provided with samples questions and a comprehensive explanation of exam instructions.

Please make sure that you are physically present in all classes, especially on examination dates. No make-up tests or examinations will be provided.

Detailed Daily Schedule (TBC)

| Topic (tentative) | Description | Activities |
|---|--|---|
| Course Introduction | <ul style="list-style-type: none"> - What is a corporation? - Agency theory | Introduction; Lecture/seminar; In-Class Activities |
| Corporate Financing Decision | <ul style="list-style-type: none"> - Debt vs. Equity - Issuing equity: public vs. private - Debt basic classification | Lecture/seminar; In-Class Activities; |
| Capital Structure in a Perfect Market vs. in an imperfect market | <ul style="list-style-type: none"> - Modigliani and Miller Theorem - The Interest Tax Shield - Bankruptcy Cost - Agency Cost of Debt | Lecture/seminar; In-Class Activities; Quiz 1 (20%) |
| Optimal Capital Structure; Cost of Capital | <ul style="list-style-type: none"> - Trade-off Theory - Pecking Order Theory - CAPM - WACC | Lecture/seminar; In-Class Activities ; |
| Project Valuation | <ul style="list-style-type: none"> - NPV - Free Cash flow model | Lecture/seminar; In-Class Activities; |
| Cash Flow Risk Analysis | <ul style="list-style-type: none"> - Sensitivity analysis - Scenario analysis - Simulation analysis | Lecture/seminar; In-Class Activities; |
| Corporate payout decision | <ul style="list-style-type: none"> - Payout methods - Dividend policy theories | Lecture/seminar; In-Class Activities; Quiz 2 (20%) |
| Options | <ul style="list-style-type: none"> - Put-call parity - Option valuation - Real options | Lecture/seminar; In-Class Activities |
| Corporate Liquidity Management | <ul style="list-style-type: none"> - Value of Liquidity - Corporate Liquidity Policy | Lecture/seminar; In-Class Activities; |
| Corporate Cash Holdings ; The market for Corporate Control | <ul style="list-style-type: none"> - Corporate Cash Holdings ; - Mergers and Acquisitions | Lecture/seminar; In-Class Activities; Final Exam (50%) |

Content is subject to change.

Academic Integrity and Policies

[Tongji University Academic Policy](#) for international students makes reference to the Academic Policy for Undergraduates (Issuing on 20th, June 2005) and Academic Policy for Postgraduates.

Academic Integrity

Students are expected to uphold the university's academic honesty principles, which are an integral part of the university's core values and principles. If a student fails to observe the acceptable standards of academic honesty, they could attract penalties and even disqualification from the course in more serious circumstances. Students are responsible for knowing and observing accepted principles of research, writing and any other task which they are required to complete.

Academic dishonesty or cheating includes acts of plagiarism, misrepresentation, fabrication, failure to reference materials used properly and forgery. These may include, but are not limited to: claiming the work of others as your own, deliberately applying false and inaccurate information, copying the work of others in part or whole, allowing others in the course to copy your work in part or whole, failing to appropriately acknowledge the work of other scholars/authors through acceptable referencing standards, purchasing papers or writing papers for other students and submitting the same paper twice for the same subject.

This Academic Integrity policy applies to all students of the Tongji University in all programmes of study, including non-graduating students. It is to reinforce the University's commitment to maintaining integrity and honesty in all academic activities of the University community.

Policy

- The foundation of good academic work is honesty. Maintaining academic integrity upholds the standards of the University.
- The responsibility for maintaining integrity in all the activities of the academic community lies with the students as well as the faculty and the University. Everyone in this community must work together to ensure that the values of truth, trust and justice are upheld.
- Academic dishonesty affects the University's reputation and devalues the degrees offered.
- The University will impose serious penalties on students who are found to have violated this Policy. The following penalties may be imposed:
 - Expulsion;
 - Suspension;
 - Zero marks/ fail grade;
 - Marking down;
 - Re-doing/re-submitting of assignments or reports; and
 - Verbal or written warning.