Corporate Finance

2024 2nd Module

Course Information

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Office Hour: Thur. 10:30 – 11:00, 13:00 – 14:00

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Classes:

Lectures: Mon. & Thur. 15:30 – 17:20, Room 231

Course Website:

PHBS Course Management System (CMS): cms.phbs.pku.edu.cn. Search for “Corporate Finance - 2024M2” and enrol with the code of “**CF2024\_M2”**.

All students must register into CMS because the lecturer notes and course assignments will be distributed through the course website. Note: Please enter your name in ENGLISH when you register on CMS because the system does not recognize Chinese characters.

1. Course Description

***1.1 Context***

Course overview:

The course introduces students to the subject of corporate financial management. The aim of this course is to examine how decision making by corporate managers can enhance shareholder value. Particular attention is paid to investment decisions (e.g., the choice of investment projects) and financing decisions (e.g., the choice of debt and equity).

Emphasis is given to *value measurement* as well as *value creation*. Capital markets are introduced as the benchmark for all valuation purposes, and as a useful tool to infer essential information needed for financial valuation and decision-making.

Prerequisites:

This course presumes that students have taken basic courses in accounting, economics, and finance.

***1.2 Textbooks and Reading Materials***

**Lecture notes**, assignments, and other useful materials will be posted on the course web page.

Reference Book:

*Corporate Finance*, by Ross, Westerfield, Jaffe, and Jordan. McGraw Hill, 11th ed. (RWJJ)

1. Learning Outcomes

***2.1 Intended Learning Outcomes***

|  |  |  |
| --- | --- | --- |
| **Learning Goals** | **Objectives** | **Assessment (YES with details or NO)** |
| 1. Our graduates will be effective communicators. | 1.1. Our students will produce quality business and research-oriented documents. |  |
| 1.2. Students are able to professionally present their ideas and also logically explain and defend their argument. | √ |
| 2. Our graduates will be skilled in team work and leadership. | 2.1. Students will be able to lead and participate in group for projects, discussion, and presentation. | √ |
| 2.2. Students will be able to apply leadership theories and related skills. |  |
| 3. Our graduates will be trained in ethics. | 3.1. In a case setting, students will use appropriate techniques to analyse business problems and identify the ethical aspects, provide a solution and defend it. |  |
| 3.2. Our students will practice ethics in the duration of the program. |  |
| 4. Our graduates will have a global perspective. | 4.1. Students will have an international exposure. |  |
| 5. Our graduates will be skilled in problem-solving and critical thinking. | 5.1. Our students will have a good understanding of fundamental theories in their fields. | √ |
| 5.2. Our students will be prepared to face problems in various business settings and find solutions. | √ |
| 5.3. Our students will demonstrate competency in critical thinking. | √ |

***2.2 Course specific objectives***

The objectives of this course are to give students the capacity to understand the theory and apply, in real world situations, the techniques that have been developed in corporate finance, and to give the big picture of corporate finance so that students can understand how things fit together.

***2.3 Assessment/Grading Details***

The course grade will be determined by the following scheme:

|  |  |
| --- | --- |
| Mid-term exam | 30% |
| Final exam | 40% |
| Group project | 25% |
| Class attendance | 5% |
| Total | 100% |

***2.4 Academic Honesty and Plagiarism***

It is important for a student’s effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

1. Topics, Teaching and Assessment Schedule

The following course outline is an approximate schedule of topics to be covered. Note that *my lectures may cover stuff beyond the textbook, and the schedule is subject to change.*

|  |  |  |  |
| --- | --- | --- | --- |
| **Week** | **Day** | **Topics** | **Book Chapters** |
| 1 | Thur | Introduction | Ch1 |
| 2 | Mon | NPV and Basic Concepts of Corporate Finance | Ch4 |
|  | Thur | NPV and Basic Concepts of Corporate Finance | Ch4 |
| 3 | Mon | Capital Budgeting Methods | Ch5 |
|  | Thur | Accounting Review | Ch2-3 |
| 4 | Mon | Project Cash Flows | Ch 6-7.1 |
|  | Thur | Project Cash Flows | Ch 6-7.1 |
| 5 | Mon | Case I |  |
|  | Thur | Bond Valuation | Ch8 |
| 6 | Mon | Midterm (cover up to Case I) |  |
|  | Thur | Stock Valuation | Ch9 |
| 7 | Mon | CAPM | Ch11-13 |
|  | Thur | M&M Theorem without Tax | Ch16.1-16.4 |
| 8 | Mon | M&M Theorem with Tax | Ch16.5 |
|  | Thur | Limits of Debt | Ch17 |
| 9 | Mon | Valuation of Levered Firm (three approaches) | Ch18 |
|  | Thur | Case II |  |
| 10 | Mon | Group Project Presentation |  |

1. Miscellaneous

***Class Attendance***

Class attendance is mandatory in accordance with school regulations and will be monitored using the facial scanning system records.

***Calculator***

You will need a calculator for the midterm and final exams. Cell phones or computers are not allowed. If you don’t bring one, you will NOT be allowed to borrow it from your classmates.