

ECON571/MGT571/FIN530

Corporate Finance

2ND Module, 2015

Course Information

Instructor: Heungju Park

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Office Hour: M/Th 4 - 5pm or by appointment

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Phone:

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Classes:

Lectures: M/Th 1:30 - 3:20pm

Venue: PHBS Building, Room 229

Course Website: <http://faculty.phbs.pku.edu.cn/hpark>

1. Course Description

1.1 Context

Course overview:

This course conveys basic accounting principles and the most important corporate finance concepts and applications. It begins with a brief introduction to the financial environment in which firms raise capital, a review of time value of money concepts, and basic stock and bond valuation models. It then focuses on decisions related to capital budgeting, measurement of risk and return, the cost of capital, dividend policy, and capital structure. The course can also discuss a variety of special topics such as mergers & acquisitions, derivatives, risk management, and ethical aspects of the role of financial managers.

Prerequisites:

Students are required to have completed the prerequisite courses, as specified by HSBC Business School. It is assumed that students have taken at least a basic finance course before taking this course. Although there will be some review of the material covered in the basic finance course, it is your responsibility to refresh your knowledge of these materials.

1.2 Textbooks and Reading Materials

Required: *Corporate Finance*, Stephen A. Ross, Randolph W. Westerfield, and Jeffrey Jaffe. McGraw-Hill/Irwin, Asian Edition or 10th Edition (You may use an earlier edition if available.)

Additional supporting material may be distributed (hard copy or electronic) as reading assignments throughout the semester.

Financial Calculator. Any financial calculator will suffice, but you are responsible for understanding how to operate it. You should know how to operate your calculators prior to exams. Calculator manuals are NOT authorized references for examinations. Sharing calculators during exams is prohibited.

Microsoft Excel. There will be a focus on using Excel, since that is the tool of choice in most entry-level finance jobs. Even though we will not be using Excel in the exams, knowledge of Excel will help you understand the material better, and it will greatly strengthen your application as you look for a job and begin your career in finance.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
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 analyze 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 Assessment/Grading Details

1) The final evaluation for your performance in this course will be based on a midterm exam (M), a final exam (F), and assignments (HW). The grading will be based on:

$$G = \text{Max}[\text{.40} \times M + \text{.40} \times F, \text{.25} \times M + \text{.55} \times F] + \text{.20} \times HW$$

2) Exams - There will be two exams: a midterm and a final. The midterm exam will cover the material up to that day. The final exam will be comprehensive but its focus will be the material after the midterm.

3) Makeup exams will only be permitted 1) if requested in advance, and/or 2) for very serious reasons. Such serious circumstances must be validated in writing by an appropriately accredited professional (e.g. medical doctor etc.). If the absence is not excused according to the university guidelines, the exam grade will be recorded as zero. The make-up exam should be taken within one week after the regularly-scheduled exam time.

4) Exams are closed book, but you may bring one A4 sized "crib sheet" of your own making for each exam. The notes on your crib sheet must be **HANDWRITTEN**. I will take up the sheets after the exam and give them back with the graded exam.

5) Assignments - There will be a data analysis (individual) and a term project (group) during the semester. **I cannot accept late submissions of the assignments.** If you are out of town, you must make arrangements to submit the assignment through another student, or before the due date to me.

6) Term project - There is one group project which should be done in groups of four or five students only. You may choose your partners, and submit the names for your groups by the midterm. Any topic can be chosen by each group as long as it is related to Chinese corporate finance issue. It is not a rigorous research topic, so that 10 pages of text along with exhibits will be enough. You should choose your topic by the midterm.

7) Attendance - I take roll randomly. The first absence would be fine. However, if you are absent twice, you lose 5 points in your final grade. You need to let me know your absence in advance.

2.3 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*.

3. Topics, Teaching and Assessment Schedule

Tentative Schedule (subject to change)

<u>Week</u>	<u>Topic</u>	<u>Chapter</u>
1	Introduction to Corporate Finance Financial Statements and Cash Flow	1, 2
2	Time Value of Money Bond Valuation	4, 8
3	Stock Valuation Capital Budgeting	9, 5, 6, 7
4	Risk and Return The Capital Asset Pricing Model	10, 11
5	Midterm Exam Capital Structure	15
6	Capital Structure	16, 17
7	Adjusted Present Value Payout Policy	18, 19
8	Raising Capital Mergers, Acquisitions, and Divestitures	20, 29
9	Presentation of Term Project Review	