



浙江大學

**FINS903**

**Corporate Finance**

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## **Corporate Finance**

### **Instructor contact details**

Lecturer-in-charge: TBA

Office location: to be announced

Email: wlwyxy\_29@zju.edu.cn

Consultation Times: to be announced, and by appointment

### **Teaching Times and Locations**

The Time and Location: TBA

Lecture sessions include lectures, seminars, field trips as well as in-class pitches and presentations.

### **Units of Credit**

The course is worth 6 units of credit, with total of 40 teaching hours.

### **Course Description**

This course is designed as an introductory level course in corporate financial management. The purpose of this course is to provide the conceptual foundations for making intelligent financial decisions by developing an understanding of modern corporate financial theory and practice. The course covers different securities used to raise external capital with an emphasis on the institutional aspects of acquiring capital. Capital structure theory is explained in detail with an in-depth analysis of market imperfections such as taxes, cost of financial distress, agency and informational issues. Payout policy and different payout strategies are discussed. The course then introduces different financing instruments and strategy, followed by discussions of corporate liquidity management. The course ends with discussion of special topics dealing with the market for corporate control and corporate governance. Throughout the course, theoretical discussions will be accompanied by numerical examples, analysis of real world examples, evaluation of empirical evidence, and a case.

### **Prerequisite**

N/A.

### **Learning Resources**

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

The lecture notes will be handed out during class.

### **Learning Objectives**

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

- 1 Analyse whether a proposed corporate transaction is in the best interests of the firm's shareholders.
- 2 Estimate a firm's weighted average cost of capital under classical and imputation systems, and analyse the relationship between capital structure, the cost of capital and value.
- 3 Perform a discounted cash flow valuation and analyse its sensitivity to alternative assumptions underlying its cash flows and discount rate.
- 4 Identify real options which are likely to affect firm value and perform a real options valuation.

### **Course Delivery**

The course will be taught in English through lectures, tutorials, group activities, student projects and presentations. In addition to these, there will also be guest speakers and optional field trips available for students who would like to enhance their learning experience. The course will be delivered within 16 sessions, with each session totaling 2.5 hours-inclusive of both a lecture and tutorial. These sessions will be running during the weekdays, Monday to Friday. The course will be at total 40 hours.

### **Topics and Course Schedule**

<b>Topic</b>	<b>Activities</b>	<b>Day</b>
<b>Course Introduction</b> - What is the corporation?	Lecture; Tutorial	01/07/2019
<b>Corporate Financing Decision</b> - Debt vs. Equity	Lecture; Tutorial	02/07/2019

<b>Capital Structure in a Perfect Market</b> - Modigliani and Miller Theorem	Lecture; Tutorial	03/07/2019
<b>Capital Structure in a Imperfect Market (1)</b> - The Interest Tax Shield	Lecture; Tutorial	04/07/2019
<b>Capital Structure in a Imperfect Market (2)</b> - Bankruptcy Cost - Agency Cost of Debt	Lecture; Tutorial	05/07/2019
<b>Optimal Capital Structure</b> - Trade-off Theory vs. Pecking Order Theory	Lecture; Tutorial	08/07/2019
<b>Cost of Capital:</b> - Choosing the correct risk free rate - Calculating the correct project beta - Calculating the correct market price of risk	Lecture; Tutorial	09/07/2019
<b>Corporate Payout Policy</b>	Lecture; Tutorial	10/07/2019
<b>Valuation:</b> Valuing of Projects/Firms - Introduction to Corporate Valuation - Estimating Free Cashflows	Lecture; Tutorial	11/07/2019
<b>Financing Instrument (1)</b> - Equity Financing	Lecture; Tutorial; <b>Quiz</b>	12/07/2019
<b>Financing Instrument (2)</b> - Debt Financing	Lecture; Tutorial;	15/07/2019
<b>Financing Instrument (3)</b> - Optimal External Financing - Financing Instruments & Strategy	Lecture; Tutorial	16/07/2019
<b>Corporate Liquidity Management</b>	Lecture; Tutorial	17/07/2019

- Value of Liquidity - Corporate Liquidity Policy		
<b>Corporate Cash Holdings</b>	Lecture; Tutorial	18/07/2019
<b>Market for Corporate Control</b> - Mergers and Acquisitions	Lecture; Tutorial;	19/07/2019
<b>Corporate Governance</b> - Agency Problem	Lecture; Tutorial; <b>Assignment submission</b>	19/07/2019

### **Assessments:**

Class Participation	10%	Everyday in class
Quiz	15%	12/07/2019
Assignment	25%	Due date: 19/07/2019
Final exam	50%	19/07/2019

### **Note: Class Participation**

Participation can take many different forms. Engagement in class discussion with thoughtful questions and answers benefiting all students will improve your participation score. Disruptive behavior will be detrimental to your participation score. The lecturer may consider the use of computers and other electronic devices to be disruptive to the class. Please ensure all your devices are turned off before the start of class.

### **Class (Tutorial) participation (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 on 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 a more holistic learning experience. Those who are unwilling to contribute or participate in class discussions should expect relatively low class participation grade even if they are physically present in all classes.

To further enhance the learning experience, it is also important for you to engage in regular discussions with other students, in exchanging knowledge and ideas with regards to this course and its key topics. Students are expected to be present and punctual for all their classes. Lateness and causing disruption to other students is not acceptable and will not be tolerated. Doing so will lead to the deduction of class participation marks. Students are expected to be respectful towards their peers, their lecturers and all other staff members. If you are not ready to meet these basic expectations, this may not be a suitable option of study for you.

**Quiz (15%):**

Type: Examination

Weight: 15%

Length: A 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.

**Assignment (25%):**

Students will be allocated into groups to complete a group assignment relating to course topics. They are required to work collaboratively with each other to complete this task and present it to the class through a speech (optional). Details of the assignment will be announced and discussed during the class.

- 5 pages maximum in A4,
- 12 point Times New Roman font
- Single line spacing

· Late submission will attract a penalty of 10% of the total weighting of the assessment task. A 10% deduction applies for EACH late day and the assessment will not be accepted after 5 working days. Extensions will only be granted upon the basis that there is reasonable medical evidence of illness or any other extreme circumstances that the university may place under consideration. Under no circumstances will extensions be granted for work or any other commitments. A request for an extension must formally submitted to the lecturer in writing prior to the due date, in accordance with the university's assessment policies. Medical certificates or other evidence of extreme misfortune must be submitted through a special consideration form and must contain information that justifies the extension sought.

**Final examination (50%):**

Type: Examination

Weight: 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 their best of their abilities. Students will be provided with samples questions and a comprehensive explanation on 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.

**Grade Descriptors:**

HD	High Distinction	85-100
D	Distinction	75-84
Cr	Credit	65-74
P	Pass	50-64
F	Fail	0-49

**High Distinction 85-100**

Treatment of material evidences an advanced synthesis of ideas

Demonstration of initiative, complex understanding and analysis

Work is well-written and stylistically sophisticated, including appropriate referencing, clarity, and some creativity where appropriate

All criteria addressed to a high level

**Distinction 75-84**

Treatment of material evidences an advanced understanding of ideas  
Demonstration of initiative, complex understanding and analysis  
Work is well-written and stylistically strong  
All criteria addressed strongly

**Credit 65-74**

Treatment of material displays a good understanding of ideas  
Work is well-written and stylistically sound, with a minimum of syntactical errors  
All criteria addressed clearly

**Pass 50-64**

Treatment of material indicates a satisfactory understanding of ideas  
Work is adequately written, with some syntactical errors  
Most criteria addressed adequately

**Fail 0-49**

Treatment of ideas indicates an inadequate understanding of ideas  
Written style inappropriate to task; major problems with expression  
Most criteria not clearly or adequately addressed

**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 Zhejiang University in all programmes of study, including non-graduating students. It is to reinforce the University's commitment to maintain 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:
  - o Expulsion;
  - o Suspension;
  - o Zero mark/fail grade;
  - o Marking down;
  - o Re-doing/re-submitting of assignments or reports; and
  - o Verbal or written warning.