



East China Normal University

FINA33: Corporate Finance

Instructor: Dr. Gui Ren

Email: rengui@shu.edu.cn

Home University: Shanghai University

Semester: December 19, 2022 to January 7, 2023

Course Hour: Monday through Friday, 160 mins per teaching day;

Total Contact Hours: 64 contact hours

Credits: 4

Designated Textbook with ISBN:

1. Berk, J., DeMarzo, P. and J. Harford, 2015, Fundamentals of Corporate Finance, 3rd, London: Pearson. ISBN 13: 978-0-13-518380-9
2. Bodie, Z., Kane, A. and A. Marcus, 2018, Investments, 11th, London: McGraw Hill.
3. Hillier, D., Ross, S., Westerfield, R., Jaffe, J. and B. Jordan, 2016, Corporate Finance, 3rd, London: McGraw Hill.
4. Tirole, J., 2006, Theory of Corporate Finance, Princeton University Press.

Course Prerequisite: N/A

**Notes: The course might be moved to online delivery due to COVID-19 pandemic. Students will be notified once such decision is made.*

Course Overview

This course mainly focus on concepts in corporate financial management. The module aims to develop understanding of the role and purpose of financial management, with reference to investment appraisal, strategy, sources of finance, cost of capital, capital structure, dividend policy, and corporate organization and restructuring. Students should be aware that this module presumes a basic knowledge of financial and economic concepts, a fairly good level of mathematics and that essay writing and reading of academic articles is also important. In addition, the notion of cash flow and how it contrasts with accounting income was rewritten, some special cases of capital budgeting including cost cutting proposals and investments of unequal lives has been reorganized to better emphasize. Many new ways of stock market trading has been reorganized to better emphasize. The historical risk and return and better motivated the equity risk premium has updated. How to use the CAPM for the cost of equity and WACC has sharpened the discussion. And the behavioral finance and its challenge to the efficient market hypothesis has updated and added to the discussion. Moreover, expands on its description of equity and debt and has new material on the value of a call provision as well as the differences between book and market values. The notion of a financial life cycle where capital structure decisions are driven by the varying needs for internal and external finance over a firm's life continue to build on.

The Corporation and Financial Markets introduces the corporation and its governance; updated the Dodd-Frank Act information; new section on Finance and Technology. Statement Analysis introduces key financial statements; coverage of financial ratios is centralized to prepare students to analyze financial statements holistically, While, financial Decision Making and the Law of One Price. Introduces the Law of One Price and net present value.

Learning Outcomes

Upon completion of this course, students should be able to know:

The Time Value of Money Introduces the mechanics of discounting with applications to personal finance; Interest Rates Discusses key determinants of interest rates and their relation to the cost of capital; Valuing Bonds Analyzes bond prices and yields, as well as the risk of fixed-income securities as illustrated by the sovereign debt crisis; Investment Decision Rules Introduces the NPV rules; Budgeting provides a clear focus on the distinction between earnings and free cash flow, and shows how to build a financial model to assess the NPV of an investment decision.

The Corporation and Financial Markets and Financial Statement Analysis

The Time Value of Money and Interest Rates

Valuing Bonds and Investment Decision Rules

Fundamentals of Capital Budgeting and Valuing Stocks

Capital Markets and the Pricing of Risk

Optimal Portfolio Choice and the Capital Asset

Pricing Model Estimating the Cost of Capital

Financial Distress, Managerial Incentives, and Information

Payout Policy Capital Budgeting and Valuation with Leverage

Valuation and Financial Modeling: A Case Study



華東師範大學
EAST CHINA NORMAL UNIVERSITY

Financial Options Option Valuation Real Options
Raising Equity Capital and Debt Financing



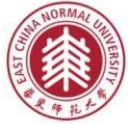
Grading Scale and Notes

The following definitions will be used as a guide for the assignment of grades:

Number Grade	Letter Grade	Definitions
94-100	A	Extraordinary distinction, indicating a full mastery of course content and excellent work.
90-93	A-	
87-89	B+	Strong performance demonstrating a high level of attainment, indicating a good comprehension of the course material and the student's full engagement with the course requirements and activities.
84-86	B	
80-83	B-	
77-79	C+	Acceptable performance, demonstrating an adequate and satisfactory comprehension of the course material and the student has met the basic requirements for completing assignments and participating in class activities.
70-76	C	
60-69	D	A marginal performance in the required exercises demonstrating a minimal passing level of attainment.
0-59	F	An unacceptable performance. The F grade indicates that the student's performance has revealed almost no understanding of the course content.

Assessment Policy

Assessment	Final Grade
Group Case Presentation	30%
Final Examination	50%
Attendance	20%



Course Schedule

Date	Lecture	Reading/Assignments/ Examination
Day 1	Introduction	Chapter 1,2,3/P2-65
Day 2	Time, Money, and Interest Rates	Chapter 4,5,6/P102-177
Day 3	Valuing Projects and Firms	Chapter 7,8,9/P216-281
Day 4	Risk and Return	Chapter10,11/P324-363
Day 5	Risk and Return	Chapter 12,13/P413-451
Day 6	Capital Structure CAPM	Chapter 14,15/P494-525
Day 7	Capital Structure CAPM	Chapter 16,17/P559-605
Day 8	Advanced Valuation	Chapter18,19/P648-699
Day 9	Options	Chapter 20,21,22/P732-801
Day 10	Long-term Financing	Chapter23,24,25/P836-897
Day 11	Short-term Financing	Chapter26,27/P926-949
Day 12	Group Presentation	15-20m/ >30pages slides
Day 13	Special Topics M&A	Chapter28,29/P970-1001
Day 14	Special Topics	Chapter30,31/P1025-1067
Day 15	Final Exam	150minutes



Reading List:

1. Baker, M. and Wurgler, J., 2004, Appearing and Disappearing Dividends: the Link to Catering Incentives, *Journal of Financial Economics*, 73, 271-288.
2. Fama, E. and French, K., 1992, The Cross-Section of Expected Stock Returns, *Journal of Finance*, 47(2), 427-465.
3. Fee, C.E., Hadlock, C.J. and Pierce, J.R., 2013, Managers with and without Style: Evidence Using Exogenous Variation, *Review of Financial Studies*, 26(3), 567-601.
4. Jensen, M. and Meckling, W., 1976, Theory of Firm: Managerial Behavior, Agency Cost and Ownership Structure, *Journal of Financial Economics*, 3, 305-360.
5. Lin, Y., Chu, C., Omura, A., Li, B., and Roca, E., 2020, Arbitrage Risk and the Cross-Section of Stock Returns: Evidence from China, *Emerging Market Reviews*, 43, 1-14.
6. Malmendier, U. and Tate, G., 2015, Behavioral CEOs: the Role of Managerial Overconfidence, *Journal of Economics Perspectives*, 29(4), 37-60.
7. Myers, S. C. and N. S., Majluf (1984) Corporate financing and investment decisions when firms have information that investors do not have, *Journal of Financial Economics*, 13:187- 221