



北京大學
汇丰商学院

Peking University HSBC Business School

FIN 521

Corporate Finance

Module I, 2017-2018

Course Information

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Office Hour: Monday and Thursday 09:30-10:30

Teaching Assistant:

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Classes:

Lectures: Monday and Thursday, 13:30-15:20 , 15:30-17:20,

Venue: PHBS Building, Room 319

Course Website:

www.danskim.com

1. Course Description

1.1 Context

Course overview:

Welcome to *Corporate Finance* at Peking University HSBC Business School! In this course, we will focus on “valuation,” i.e., understanding the value implications of investment and financing decisions that firms make. By the end of this course, you should be able to:

- Evaluate corporate projects and make decisions based on financial data.
- Analyze a firm's financial statements and value the firm.
- Understand how investment and financing decisions impact the value of the firm.
- Develop complex spreadsheet models in Excel.

We will build on the time value of money concepts and risk and return concepts that you have learned in earlier finance courses. However, this class is much more detailed and practical. As you will see, a significant component of the grade comes from real-life projects, which require complex spreadsheet modeling in Excel. Even the in-class exercises and exams will focus on applications of concepts to solving real-life problems faced by businesses. We will also make extensive use of some of the accounting concepts. So it's a good idea to brush up on your accounting concepts, specifically, the organization of the balance sheet and the income statement.

The course is a mix of lecture and discussion. Lecture notes and excel files must be downloaded from the course website before class. I expect students to come to class prepared for active participation. Class attendance is strongly encouraged and is required during group presentations. To make the most efficient use of limited class time, students who miss a class or are late are responsible themselves for getting notes, assignments, and announcements from their classmates. It is your responsibility to keep yourself informed of important developments pertaining to the course. Keeping your

University email account updated is important. We do problems in class, so bring a calculator. A basic financial calculator is best, though a good basic scientific calculator that does powers is fine. Solutions to in-class exercises will not be distributed or posted.

Please remember to turn off your cell phone before class.

Prerequisites:

N/A

1.2 Textbooks and Reading Materials

- “Corporate Finance” by Ross, Westerfield and Jaffe, McGraw-Hill Inc., 9th edition (RWJ)
- “Excel Modeling and Estimation in Corporate Finance (Third Edition),” by Craig W. Holden.
- Lecture notes, assignments, and other useful information will be posted on the course web page at <http://www.danskim.com/cf.html>. You are expected to download and print the required material before coming to the class.
- Course packet: Administrative office (Room 113) has a copy of the course packet. You are required to make a photocopy of the course packet.

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 Course specific objectives

2.3 Assessment/Grading Details

Assessment task	Weighting
Project 1	10%
Project 2	15%
Presentation of Project 2	15%
In-class group assignments	10%
Participation	10%
Mid-term Exam	40%
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*.

3. Topics, Teaching and Assessment Schedule

<i>Class Number</i>	<i>Topics Covered</i>	<i>Notes</i>
1 (Aug 28)	<u>Introduction</u> Syllabus <u>Review Financial Tools</u> Valuation Basics Time Value of Money Inflation <u>Cash Flows</u> Effects of Accrual Accounting Free Cash Flow	Syllabus RWJ Ch 1 RWJ Ch 6
2 (Aug 31)	<u>Cash Flows</u> Examples <u>Capital Budgeting</u> Incremental Project Cash Flow Net Present Value & others	
3 (Sep 4)	<u>Comparing Projects</u> Projects of Equal Life Equivalent Annual Cost Setting the Bid Price <u>Project Analysis</u> Managerial Options Scenario Analysis Sensitivity Analysis Spreadsheet Modelling <u>Explanation of Project 1</u>	RWJ Ch 10 RWJ Ch 10 & 11 Holden Ch 12 & 13
4 (Sep 7)	<u>Projecting Sales Growth</u> Trends in sales growth Relation to Industry Economic Analysis: Regressions <u>Financial Statement Analysis</u> Ratio Analysis Dupont Identity Operating Leverage <u>Financial Modelling</u> Relation between Financial Statements Solving by iterations Financing with Debt Maintaining debt-equity ratios Using Cash Reserves	RWJ Ch 3 Holden Ch 15.4 & 16 Holden Ch 15 Download files from web for class

<i>Class Number</i>	<i>Topics Covered</i>	<i>Notes</i>
5 (Sep 11)	<u>Discounted Cash Flow Valuation</u> Sequential Valuation <u>Multiples Valuation</u> Definition of Market Ratios Price-Earnings Ratio <u>Explanation of Project 2</u>	Case: Airbus A3XX: Developing the World's Largest Commercial Jet
6 (Sep 14)	<u>Cost of Capital</u> WACC without and with taxes Divisional WACC <u>Capital Structure (I): Perfect Market</u> Proposition I: WACC Proposition II: Cost of Equity Business and Financial Risk Unlevering Beta	RWJ Ch 15 Case: Marriott Corporation: The Cost of Capital
7 (Sep 18)	<u>Capital Structure (II): Imperfect Market</u> WACC with Taxes WACC with Bankruptcy Costs Incorporating Changes in Leverage Value of Levered Firm Dollar gain from Tax Benefit Dollar cost due to Bankruptcy <u>Capital Structure (III): The Real World</u> Agency Costs: Debtholders and Shareholders Agency Costs: Managers and Shareholders Discuss Capital Structure Puzzle	RWJ Ch 15 RWJ Ch 16 RWJ Ch 17
Case (Sep 21)	<u>Case discussion</u> Airbus <u>Case discussion</u> Marriott	
8 (Sep 25)	<u>Raising Capital</u> IPOs Private Equity Market Rights Corporate Bond	RWJ Ch 20 Case: Tiffany & Company
9 (Sep 28)	<u>Mergers and acquisitions</u> Forms of acquisitions Synergy and coinsurance effects Financing acquisitions Empirical evidence	RWJ Ch 29 Case: "The war of the handbags: The takeover battle for GUCCI Group N.V.

<i>Class Number</i>	<i>Topics Covered</i>	<i>Notes</i>
Case (Oct 10)	<u>Case discussion</u> Tiffany <u>Case discussion</u> Gucci	
10 (Oct 9)	<u>Payout Policy</u> Types of Dividends Irrelevancy of Dividends Taxes Stock Repurchases Dividend Clienteles Signalling	RWJaffe Ch 18 Case: Financial Policy at Apple
Exam (Oct 16)	MIDTERM	In the classroom, during class time
11 (Oct 18)	<u>Agency cost and Information Asymmetry</u> Debt Holder-Equity Holder Conflicts Equity Holder-Manager Convertibles Capital Structure Payout Policy	Case: Hermes Paris
Case (Oct 23)	<u>Case discussion</u> Apple <u>Case discussion</u> Hermes	
12 (Oct 26)	<u>Introduction to VC and PE</u> Fund Structure Geography of VC/PE Financial Contracting Exit Strategy	PROJECT 2 DUE
(Oct 29) 08:00-12:00 13:00-17:00	Group Presentations MANDATORY ATTENDANCE DAY	

4. Miscellaneous