



北京大學
汇丰商学院

Peking University HSBC Business School

FIN 521

Corporate Finance

Module III, 2017-2018

Course Information

Instructor: Di Li

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Office Hour: Monday & Thursday 10:30-11:30 (or by appointment)

Classes:

Lectures: Monday & Thursday, 8:30-10:20

Venue: PHBS Building, Room 311

Course Website:

TBA.

1. Course Description

1.1 Context

Course overview:

This course focuses 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 a 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 course 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.

The course is a mix of lectures and discussion. Lecture notes and excel files must be downloaded from the course website before class. Students are expected to come to class prepared for active participation. Class attendance is strongly encouraged and is required during group presentation. 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 own responsibility to get 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 financial calculator is recommended but a basic scientific calculator that does powers is fine too. Solutions to in-class exercises will not be distributed or posted.

Prerequisites:

This course presumes that students have taken basic courses in economics and finance. Students are recommended to have completed the following course: "Financial Economics." We will also make extensive use of some accounting concepts. Therefore, it is a good time to brush up on your accounting knowledge, specifically, the organization of the balance sheet and the income statement.

1.2 Textbooks and Reading Materials

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

Textbooks:

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

Excel Modeling and Estimation in Corporate Finance, by Holden. Prentice Hall, 3rd ed. (HD)

2. 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 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.	√

2.3 Assessment/Grading Details

The course grade will be determined by the following scheme:

Mid-term exam	40%
Project 1	10%
Project 2	15%
Presentation of Project 2	15%
In-class group assignments	10%
Class participation	10%
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

The following course outline is an approximate schedule of topics to be covered. Please note that it is subject to change.

Date	Topics	Notes
Feb. 26, Monday	Introduction Review of financial tools Valuation basics Time value of money Inflation Cash flows Effects of accrual accounting Free cash flow	RWJJ Chapters 1, 2, 4

March 1, Thursday	Cash flows: Examples Capital budgeting Incremental project cash flows Net present value and others	RWJJ Chapters 5, 6
March 5, Monday	Comparing projects Projects of equal life Equivalent annual cost Setting the bid price Project analysis under uncertainty Scenario analysis Sensitivity analysis Spreadsheet modeling Explanation of Project 1	RWJJ Chapters 10, 11 HD Chapters 12, 13
March 8, Thursday	Projecting sales growth Trends in sales growth Relation to industry Economic analysis: Regressions Financial statement analysis Ratio analysis Dupont Identity Operating leverage Financial modeling Relation between financial statements Solving by iterations Financing with debt Maintaining debt-equity ratios Using cash reserves	RWJJ Chapter 3 HD Chapters 15, 16
March 12, Monday	Discounted cash flow valuation Sequential valuation Multiples valuation Definition of market ratios Pricing-earnings ratio Explanation of Project 2	Case: Airbus A3XX: Developing the World's Largest Commercial Jet
March 15, Thursday	Cost of capital WACC without and with taxes Divisional WACC Capital structure I: Perfect market Proposition I: WACC Proposition II: Cost of equity Business and financial risk Unlevered beta	RWJJ Chapters 13, 15, 16 Case: Marriott Corporation: The Cost of Capital

March 19, Monday	<p>Capital structure II: Imperfect market</p> <ul style="list-style-type: none"> 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 <p>Capital structure III: The real world</p> <ul style="list-style-type: none"> Agency costs: Lenders and shareholders Agency costs: Managers and shareholders Discuss capital structure puzzle 	RWJJ Chapters 15, 16, 17
March 22, Thursday	<p>Case discussion:</p> <ul style="list-style-type: none"> Airbus Marriott 	
March 26, Monday	<p>Raising capital</p> <ul style="list-style-type: none"> IPOs Private equity market Rights Corporate bonds 	<p>RWJJ Chapter 20</p> <p>Case: Tiffany & Company</p>
March 29, Thursday	Midterm exam	
April 2, Monday	<p>Mergers and acquisitions</p> <ul style="list-style-type: none"> Forms of acquisitions Synergy and coinsurance effects Financing acquisitions Empirical evidence 	<p>RWJJ Chapter 29</p> <p>Case: The War of the Handbags: The Takeover Battle for GUCCI Group N.V.</p>
April 4, Wednesday	<p>Case discussion:</p> <ul style="list-style-type: none"> Tiffany Gucci 	
April 9, Monday	<p>Payout policy</p> <ul style="list-style-type: none"> Types of dividends Irrelevancy of dividends Taxes Stock repurchases Dividend clientele Signalling 	<p>RWJJ Chapter 19</p> <p>Case: Financial Policy at Apple</p>

April 12, Thursday	Agency cost and information asymmetry Debtholder-shareholder conflicts Manager-shareholder conflicts Convertibles Capital structure Payout policy	Case: Hermès Paris
April 16, Monday	Case discussion: Apple Hermès	
April 19, Thursday	Introduction to VC and PE Fund structure Geography of VC/PE Financial contracting Exit strategy	Project 2 due
April 23, Monday	Group presentations	
April 26, Thursday	Group presentations	