



**Course Title:**

**Corporate Finance**

Course Code: FS322

Credits: 3

Teaching hours: 48

Prerequisites: at least Fundamentals of Accounting

Semester: Fall and Spring Semester

**Lecturer's Information:**

Name: Dr. Cao Yushan

Email : jxcdcysh@163.com

Telephone: 15907082020

**Course Description:**

The purpose of the course is to enable you to understand the financial decision-making process and to interpret the impact that financial decisions will have on value creation. The course therefore introduces you to the three major decision-making areas in corporate finance: the investment, financing, and asset management decisions. The teacher explores finance, including its frontiers, in an easy-to-understand, user-friendly manner. Although the course is designed for an introductory course in financial management, it can be used as a reference tool as well. For example, candidates preparing for various professional exams, and practicing finance professionals will find it useful. The course covers six areas: a. introduction and overview to financial management; b. the valuation of long-term securities; c. tools of financial analysis and planning; d. working capital management; e. investment in capital assets; f. the cost of capital, capital structure, and dividend policy.

## **Aims and Objectives:**

The main objectives of this course are to examine critically the theory of, and techniques used in, financial management and to study the ways in which a corporation might be financed.

## **Learning Outcomes:**

On completion of the course a student should be able to

- To analyze financial statements;
- Calculate sustainable growth rate and external funding needs;
- Calculate the present value of a perpetuity, annuity or bond and be able to apply its use in various situations;
- Calculate the value of a share in a company or value of whole companies by a variety of methods and understand the relevance of each method in given situations;
- Appraise investment projects by different methods and understand the impact of risk on the project;
- Understand risk to a particular share and to the whole market of a portfolio and perform calculations using CAPM;
- Discuss dividend policy, capital structure, working capital management, efficient market hypothesis and the role of the capital markets;

This course is not only about making students adopt theoretical knowledge, but also about how to apply what you have learned in practice.

## **Teaching Methods:**

Teaching methods will involve a combination of formal lectures, group work, case study, and presentation.

Students will be encouraged to explore the application of concepts learned through the use of contemporary case studies.

## **Assessment:**

Final Written Examination	60%
Homework Assignments	20%
Case Study	20%

Total	100%
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To achieve a pass grade in this course, students must obtain 60% or more as an aggregate mark on the assessment.

### **Final Written Examination**

The final written examination is designed to cover the learning outcomes for the course and to test skill development. Questions are set not only to test students' basic comprehension of the syllabus but also their ability to apply such knowledge in particular contexts.

### **Homework Assignments and Presentation**

Homework assignments are designed to assess the students' ability to solve complex problems relating to financial management theory and practice. Homework assignments should be submitted via Email. Hard copies of the assignments should also be handed in and presented in class on designated dates.

### **Case Study and Presentation**

The case study is designed to assess the students' ability to put financial management theory into application. Students are required to study some cases from the real world and present their findings in class. The case study should be submitted via Email prior to presentation. Hard copies of the case study should also be handed in on the day of presentation.

### **Team Work**

Students are required to form teams to jointly finish homework assignments, the case study, and the presentation. Team members will work together to produce a joint report, and each member of a team will receive the same mark for the report. It is up to each team to allocate responsibilities between team members and organize its own work.

### **Your Input:**

You will be expected:

- to review your lecture notes and follow up references on lecture topic;
- to prepare for class discussion in advance by reading and preparing outline answers to questions and notes to form the basis of discussion;

- to work through lecture notes and other material regularly to check your understanding of the concepts and models discussed, and to raise any difficulties with your class tutor or lecturer.

## **Course outline:**

Chapter 1 The role of financial management

1-1 Background introduction

1-2 The definition of financial management

1-3 The goal of firm

1-4 Organization of the financial management functions

Chapter 2 The business, Tax, and Financial Environment

2-1 Business environment

2-2 The Tax environment

2-3 The financial Management

Chapter 3 The time value of money

3-1 The interest rate

3-2 Simple interest and compound interest

3-3 Compounding more than once a year

3-4 Amortizing a loan

Chapter 4 The valuation of long-term securities

4-1 Distinction among valuation concepts

4-2 Bonds valuation

4-3 Preferred stock valuation

4-4 Common stock valuation

4-5 Rates of return

Chapter 5 Risk and Return

5-1 Defining risk and return

5-2 Using probability distributions to measure risk

5-3 Risk and return in a portfolio context

5-4 Diversification of investments

5-5 The capital asset pricing model

5-6 Efficient financial markets

Chapter 6 Financial Statement Analysis

6-1 Forms of financial statements

6-2 A possible framework for analysis

6-3 Balance sheet ratios\

6-4 Income statement and income statement/balance sheet ratios

6-5 Common size and index analysis

**Chapter 7 Funds Analysis, Cash flow Analysis, and Financial Planning**

7-1 Flow of funds statement

7-2 Accounting statement of cash flows

7-3 Cash flow forecasting

7-4 Range of cash flow estimates

7-5 Forecasting financial statements

**Chapter 8 Overview of Working Capital Management**

8-1 Introduction to working capital

8-2 Working capital issues

8-3 Financing current assets: Short-term and long-term

8-4 Combining liability structure and current asset decisions

**Chapter 9 Cash and Marketable Securities Management**

9-1 Motives of holding cash

9-2 Speeding up cash receipts

9-3 Slowing down cash payouts

9-4 Electronic commerce

9-5 Cash balances to maintain

9-6 Investment in marketable securities

**Chapter 10 Accounts receivable and inventory management**

10-1 Credit and collection policies

10-2 Analyzing the credit applicant

10-3 Inventory management and control

**Chapter 11 Short-term financing**

11-1 Spontaneous financing

11-2 Negotiated Financing

11-3 Factoring accounts receivable

11-4 Composition of short-term financing

**Chapter 12 Capital Budgeting and Estimating Cash Flows**

12-1 Capital budgeting process

12-2 Generating Investment project proposals

12-3 Estimating project “After tax incremental operating cash flows”

**Chapter 13 Capital Budgeting Techniques**

13-1 Project evaluation and selection: Alternative methods

13-2 Potential difficulties

13-3 Project monitoring: progress reviews and post-completion audits

**Chapter 15 Required Returns and the cost of capital**

15-1 Creation of value

15-2 Overall cost of capital of the firm

15-3 The CAPM: project-specific and group-specific required rates of return

15-4 Evaluation of projects on the basis of their total risk

**Chapter 16 Operating and Financial Leverage**

16-1 Operating leverage

16-2 Financial leverage

16-3 Total leverage

16-4 Cash flow ability to service debt  
 16-5 Other methods of analysis  
 Chapter 17 Capital Structure Determination  
 17-1 A conceptual look  
 17-2 The total value principle  
 17-3 Presence of market imperfections and inventive issues  
 17-4 The effect of tax  
 17-5 Taxes and market imperfections combined  
 17-6 Financial signaling  
 Chapter 18 Dividend Policies  
 18-1 Passive versus active dividend policy  
 18-2 Factors influencing dividend policy  
 18-3 Dividend stability  
 18-4 Stock dividends and stock splits  
 18-5 Administrative considerations

### **Text Books and Indicative Reading List:**

Text book: Ross, A. and Westerfield, W. and Jaffe, F. ***Corporate Finance.*** McGraw-Hill

Indicative reading: Ross, A. and Westerfield, W. and Jordan, D. ***Fundamentals of Corporate Finance .*** McGraw-Hill

The required text will be supplemented by outside readings from selected periodicals and journals.

### **Calendar of Teaching Activities:**

	Activities	Chapters	Things to remember
Week 1	Lecture	Ch 1+2	Library Sessions
Week 2	Lecture	Ch 3	Submit Names for Working Groups
Week 3	Lecture	Ch4	
Week 4	Lecture	Ch 5	
Week 5	Lecture	Ch 6	
Week 6	Lecture	Ch 7	
Week 7	Lecture	Ch8+9	
Week 8	Lecture	Ch 10+11	
Week 9	Review		Review chapters taught before
Week 10	Lecture	Ch 12	Homework and Case study Deadline

Week 11	Lecture	Ch 13	
Week 12	Lecture	Ch 15	
Week 13	Lecture	Ch 16	
Week 14	Lecture	Ch17	
Week 15	Lecture	Ch 18	
Week 16	Review		Review chapters taught before
Week 17	Final exam( time to be confirmed)		