



中央民族大学
MINZU UNIVERSITY OF CHINA

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Minzu University of China
FIN 301 Corporate Finance
Summer 2020

Basic Information

Class hours: Monday through Thursday, 2 hours each day
Discussion: Friday, 1 hour (60 minutes)
Review Section: Saturday, 1 hour (60 minutes)
Office Hour: 2 hours (According to professors' teaching plan)
Field trip: According to professors' teaching plan
Credit: 4
Total contact hours: 60 (50 minutes each)
Instructor: Qi Hao

Course Description

This course will explore the theory and practice of corporate finance. Material covered will focus on areas of relevance to corporate managers as financial decision-makers. Corporate financial decisions include how to raise capital (for example through security issues, bank borrowings, selling assets, etc.), and what to do with it once it has been raised (for example investment in projects, payment of dividends, repurchasing securities). Special emphasis will be placed upon the understanding of the role of the financial manager, the goals of the firm, and the agency relationship between the managers and shareholders in the context of these goals. This course covers roughly the second half of the selected textbook (Financial Management covers the first half), and possibly some Special Topics if time permits.

Course Outcomes

Successful completion of the course will allow students to:

1. Understand the theories behind some important corporate decisions
2. Make sound forecast and correctly value a firm's operations, tax shields
3. Know how to use lease and hybrid financing
4. Value real options, and apply them in corporate risk management
5. Understand the process of IPO, investment banking, and merger & acquisition

Textbook

Recommended textbook:

Brigham & Ehrhardt, Financial Management: Theory and Practice, 16th Edition, South-Western Cengage Learning, 2019.

Other Resources

Remarks: substantial lecture notes will be provided electronically. E-book version and earlier editions of the textbook may be used (13th or later).

Course Schedule

Main Topics:

- (A) Financial Options
- (B) Real Options
- (C) Financial Statement Forecasting
- (D) Corporate Valuation and Value-Based Management



- (E) Distributions to Shareholders (Dividends and Repurchase)
- (F) Capital Structure Decisions
- (G) Lease Financing
- (H) Hybrid Financing
- (I) IPO and Investment Banking
- (J) Special Topics: Merger and Acquisition, M&A Accounting and Taxes, and Corporate Governance

Course schedule and contents:

Week	Class	Topic	Contents
1	1	A	Introduction; explain course-related issues; financial options; put and call payoff patterns; options valuation
	2	A, B	The binomial method and the Black-Scholes formula; real options: concepts and their valuation
	3	B	Valuating real options Black-Scholes framework with decision Tree and the
	4	C	Read financial statement; pro-forma forecasting; firm valuation and determine equity value
2	1	D	Corporate valuation model; how to find FCF; after-tax cost of capital and the concept of WACC
	2	D	Predict NOPAT and FCF; a real world example of valuating a firm: the case of Lyra Vision Inc.
	3	E	Corporate payout policy; different types of dividends; how does a firm pay dividend: ex-dividend date
	4	E	Dividends and share repurchases: the MM irrelevancy theorem, signaling theory, and the tax clientele effect
3	1	F	Capital structure optimization; the MM irrelevancy theorem; how much debt to borrow
	2	F	The effect of corporate tax and personal tax; the value of tax shields; firm valuation by the APV and WACC methods
	3	F, review	Wrap up what is left from Topic F; review previous chapters; answer questions and help students prepare for the midterm exam
	4	Midterm	Take the midterm exam in class
4	1	Explain exam, G	Go over the midterm exam and explain the answers; start Topic G: the characteristics of lease financing
	2	G	Legal issues; tax benefits; value a lease contract – perspective of the lessor and lessee
	3	G, H	Wrap up Topic G; start Topic H: advantages and disadvantages; voting and cash flow rights; tax issues
	4	H, I	Various types of hybrid financing: preferred stock, warrants and convertibles; valuation example (warrants); start Topic I if time permits: the life cycle of a firm and IPO
1	I		IPO and investment banking; the primary market and how securities are issued; example of refinancing with new debt



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5	2	J	Mergers and acquisitions; type and regulations; value a merger; tax and merger accounting; corporate governance
	3	J, review	Wrap up Topic J; review the entire course to help the students prepare for the final exam
	4	Final exam	Take the final exam in class
Students can seek extra help during the instructor's office hours, and interaction sessions offered on Fridays.			

Evaluation

Attendance	10%
Homework and Quizzes	20%
Midterm and Final Exams	70%
Total	100%

Grading

97-100 A+	87-89 B+	77-79 C+	67-69 D+	Below 60 F
94-96 A	84-86 B	74-76 C	64-66 D	
90-93 A-	80-83 B-	70-73 C-	60-63 D-	

Attendance & Classroom Contribution

Please bring devices at your choice to take notes if you cannot print out my distributed lecture notes. The use of smart phones is prohibited in class. Students should attend every class. Although attendance is not mandatory, missing 3 or more classes will make your learning extremely difficult. Quizzes are not announced in advance and no make-up will be offered if you miss a quiz or exam. Not taking an exam will result in an F as the final course grade.

Homework

There will be assigned homework problems for most of the chapters. I will randomly collect some of your homework and there will be no extension of the deadlines.

Exams

We will have two major exams-the midterm exam and final exam. The final exam will be cumulative, i.e., covering all the material covered in class. However, roughly 80% will be dedicated to the topics post the midterm exam.

Academic Integrity

Academic integrity is unconditionally upheld in this course. Homework assignments, quizzes and exams are to be completed independently. However, active discussion and team spirit are encouraged in appropriate context, for example, before and after you complete an assignment, in preparation of the quizzes and exams, reviewing a topic or studying it in advance, etc. Cheating and plagiarism in any fashion are absolutely unacceptable. Upon verification, violators will lose points commensurate with the violation up to failing the course.