

Fall, 2017

**Chinese University of Hong Kong
Department of Economics**

Econ3540: Foundations of Corporate Finance

Instructor: Julian Du
Email: julandu@cuhk.edu.hk
Phone: 3943-8008

Teaching assistant: Mr. LI Xiaoyang, xiaoyangli@link.cuhk.edu.hk;
Mr. XUE Chang, xuechang@link.cuhk.edu.hk.

Lecture Meeting Time: Tuesdays, 10:30am – 1:15pm, September 5 --- November 28, 2017.

Venue: ELB LT1

This course is intended to provide a market-oriented framework for analyzing the major types of financial decisions made by corporations. It provides an introduction to present value techniques, capital budgeting principles and problems, and the various financial decisions of firms. After taking the course, students are expected to be able to carry out cost-benefit analysis of investment projects, and understand the mechanisms of important corporate policies such as security issuance, dividend payment, capital structure, merger and acquisitions, etc.

The major textbook is

Stephen A. Ross, Randolph W. Westerfield, Jeffrey Jaffe, Joseph Lim, Ruth Tan, and Helen Wong, Corporate Finance, Asia Global Edition, McGraw-Hill Book Co.

We will release lecture materials on the New Blackboard System (<https://blackboard.cuhk.edu.hk>) for 2017-18. Lectures aim at providing the students with the fundamental theories and techniques of the subject.

The course assessment scheme is arranged as follows.

Course participation and performance (presentation, etc.): 10%
Assignments: 15%
Group project (a group presentation is required): 25%
Final exam: 50%

The final exam will be arranged centrally.

Outline of Topics

Topic 1(*): Introduction

Topic 2: Investment Decisions --- Present Value

Topic 3: How to Calculate Present Values?

Topic 4 (*): The Valuation of Bonds and Stocks

Topic 5: Why NPV is the Best Investment Criterion?

Topic 6: Making Investment Decisions with the NPV Rule

Topic 7 (*): Risk and Asset Pricing

Topic 8 (*): The Capital Asset Pricing Model (CAPM)

Topic 9: Capital Budgeting and the CAPM

Topic 10: Financing Decisions and Market Efficiency

Topic 11: Types of Securities and Issuing Securities

Topic 12: Dividend Policy

Topic 13: Capital Structure

Topic 14: Investment and Financing Decisions

Topic 15: Mergers and Acquisitions

Topic 16: Financial Distress

Topic 17: Risk Management and Derivatives

(Topics with * will be treated briefly.)