

Fall, 2024

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

Econ3540: Foundations of Corporate Finance

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

Teaching assistants: Mr. Jason POON King Leong (1155143784@link.cuhk.edu.hk)
Ms. Xiaoyue TONG (x.tong@link.cuhk.edu.hk)

Lecture Meeting Time: Tuesdays, 10:30am-1:15pm, 2024
Venue: LKC LT1

Course Description

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, various corporate financial decisions and institutional investors. After taking the course, students are expected to be able to carry out the cost-benefit analysis of investment projects and understand the mechanisms of important corporate policies such as security issuance, dividend payment, capital structure, and merger and acquisitions.

The Textbook/Main Reference

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 Blackboard System. Lectures aim at providing the students with the fundamental theories and techniques of the subject.

Course Requirements

The course assessment scheme is arranged as follows.

Assignments: 10%

Group project: 40% in total, group presentation of work in progress in the final teaching weeks in class and/or through video is required; each group is also required to watch and comment on two other groups' presentations and write out comments. Group report quality accounts for 30%, group presentation performance 7%, and comments on other groups' presentations 3%.

Final exam (open-book): 50% (The home-work style questions account for no less than half of the total score of the final exam, and the remaining parts are short-essay questions).

The TAs will run tutorials to discuss the course material and homework assignments. The final exam will be centrally arranged during the final exam period. The group project report will be due late December, 2024. In submitting a group report, group members should sign a statement that declares their assessment of whether each member has fulfilled her/his tasks, and their willingness to be assigned the same score for the group report.

Outline of Topics

Topic 1(*): Introduction

Topic 2: Investment Decisions --- Net Present Value Rule, Stakeholder Interests and Agency Costs

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 and Corporate Restructuring

(Topics with * will be treated briefly in the lectures. Some details can be discussed in tutorials.)