

Fundamentals of Corporate Finance (I)

Corporate Finance is a specific area of finance dealing with the financial decisions corporations make and the tools as well as analyses used to make these decisions. The discipline as a whole may be divided among long-term and short-term decisions and techniques with the primary goal being the enhancing of corporate value by ensuring that return on capital exceeds cost of capital, without taking excessive financial risks. Long-term corporate finance decisions comprise the long-term choices about which projects receive investment (capital budgeting decision), whether to finance that investment with equity or debt (financing decision), and when or whether to pay dividends to shareholders (dividend decision). Short-term corporate finance decisions are called working capital management and deal with balance of current assets and current liabilities by managing cash, inventories, and short-term borrowing and lending.

Course Objectives

To give you the capacity to understand the theory and apply the techniques that have been developed in corporate finance in real world situations.

To give you the big picture of corporate finance so that you can understand how things fit together.

Textbook and Reference Books

Textbook (required) : Brealey, R.A., Myers, S.C., and Marcus, A.J., *Fundamentals of Corporate Finance* , 4th edition, 2004, McGraw Hill, 華泰書局代理.

Chinese Reference Book : 謝劍平, 財務管理 - 新觀念與本土化 , 三版, 智勝文化.

Advanced Reference Book : Brealey, R.A., Myers, S.C., and Allen, F., *Principle of Corporate Finance* , 8th edition, 2006, McGraw Hill, 華泰書局代理.

Outline (1st Semester)

Chapter 1~3: Introduction and Review

Chapter 4: The Time Value of Money

Chapter 6: Valuing Stocks

Chapter 5: Valuing Bonds

Midterm Exam

Chapter 10: Return and Risk

Chapter 11: Return, Risk, and Capital Budgeting

Chapter 12: Costs of Capital

Final Exam

Lecture Notes and Homework

The Lecture Notes are available in pdf format on my page:

<http://dctsp.ec.tku.edu.tw/mychen>

The Homework Assignments of each chapter, which are selected from the practice problems of the textbook, and their Solutions are also available on my page.

Grading

Final grades will be based on a Midterm Exam (30%), a Final Exam (30%), Two Quizzes (30%, each 15%), TA Section (10%).

Questions of quizzes are from homeworks.

1st quiz: the TA section of the week 10/31~11/4.

2nd quiz: the TA section of the week 12/19~12/23.

To encourage English writing, 10% bonus will be added to your exam score if you answer all exam questions in English. For example, if the original score of your midterm exam is 80, $80 \times 10\% = 8$, then your adjusted score will be 88.