

Fundamentals of Corporate Finance

Syllabus

Fall 2006

What is Corporate Finance?

- ➔ **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**.

What is Corporate Finance?

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- ➔ **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

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- ➔ 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*, 5th edition, 2007, 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*, 四版, 2006, 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: Introduction to Risk, Return, and the Opportunity Cost of Capital
- ⇒ Chapter 11: Return, Risk, and Capital Budgeting
- ⇒ Chapter 12: The Weighted-Average Cost of Capital
- ⇒ **Final Exam**

Outline (2nd semester)

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- ⇒ Chapter 7: Net Present Value and Other Investment Criteria
- ⇒ Chapter 9: Project Analysis
- ⇒ Chapter 13, 14: Introduction to Finance and Governance, IPOs, & Seasoned Offerings
- ⇒ Chapter 15: Debt Policy (part I)
- ⇒ **Midterm Exam**
- ⇒ Chapter 15: Debt Policy (part II)
- ⇒ Chapter 16: Payout (Dividend) Policy
- ⇒ Chapter 23: Options
- ⇒ **Final Exam**

Lecture Notes and Homework

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- ⇒ The **Lecture Notes** are available in pdf format on my page in 教學支援平台:
<http://tsp.ec.tku.edu.tw/mychen>
- ⇒ The **Homework Assignments** of each chapter, which are selected from the **Practice Questions** of the textbook, and their **Solutions** are also available on my page.
- ⇒ You should also do the **Examples** and **Self-Test** questions of the textbook.

Grading

- Final grades will be based on a **Midterm Exam (33%)**, a **Final Exam (33%)**, **Two Quizzes (24%, each 12%)**, **TA Section (10%)**.
- **First quiz** is held in the TA section in the week before the midterm exam, and **second quiz** is held in the TA section in the week before the final exam.
- **All exam questions are in English**, but you are allowed to answer in Chinese. 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.