
Capital University of Economics and Business

Overseas Chinese College

Course Syllabus

<u>Year and Semester</u>	2022 Spring
<u>Course Name</u>	Corporate Finance
<u>Course Code</u>	CFA203
<u>Course Type</u>	<input type="checkbox"/> General Education (Required) <input type="checkbox"/> General Education (Elective) <input type="checkbox"/> Basic Disciplinary Course <input checked="" type="checkbox"/> Professional Course (Required) <input type="checkbox"/> Professional Course (Elective) <input type="checkbox"/> Professional Course (Expanded)
<u>Course Credits</u>	3
<u>Course Hours</u>	48
<u>Prerequisites</u>	Financial Statement Analysis
<u>Instructor</u>	Xueying Zhu
<u>Contact Information</u>	Office: C204 Email: xyzhu1114@163.com
<u>Office Hour</u>	M/ T/ Th: 11:30-12:30; W: 9:40-12:30
<u>Learning Centre</u>	Th: 15:10-17:00; Th: 18:00-20:00
<u>Grade/Section</u>	2020CFA
<u>Course Time/ Place</u>	M: 09:55-11:30 (A102); Th: 8:50-9:35 (B108)

Textbook

- SchweserNotes 2021 Level I CFA Book 4: *Corporate Finance*, Kaplan Inc. USA, ISBN: 978-7-5217-2004-4

Supplemental Readings

- CFA Institute, *Corporate Issuers (1), CFA Program Curriculum, Volume 3*, 2021, Wiley Press, USA, ISBN: 978-1-950157-44-0
- CFA Institute, *Corporate Issuers (2), CFA Program Curriculum, Volume 4*, 2021, Wiley Press, USA, ISBN: 978-1-950157-45-7
- SchweserNotes 2022 Level I CFA Book 3: *Corporate Issuers*, Kaplan Inc. USA, ISBN: 978-7-5217-3266-5
- Richard A. Brealey, Stewart C. Myers, Franklin Allen, *Principles of Corporate Finance, 12th Edition*, 2017, McGraw-Hill Education, ISBN: 978-1-259-14438-7
- Jonathan Berk, Peter DeMarzo, *Corporate Finance, 4th Edition*, 2017, Person Education, ISBN: 978-1-292-16016-0

Website Source

- <https://www.cfainstitute.org/>
- <http://www.szse.cn/>
- <http://www.sse.com.cn/>
- <http://www.bse.cn/>

Course Description

This is a required professional course for students majoring in finance, as well as an exam course of CFA Level I. This course aims to prepare students with the knowledge of financial management expected of a financial analyst. This course will be delivered by a plenty of

case studies and reference materials to help students better understand corporate finance core concepts such as investment appraisal, financing, operating and financial leverage, as well as working capital managements.

Student Learning Objectives

At the end of this course, students should be able to:

Knowledge:

- Describe a company's corporate governance and other ESG considerations;
- Demonstrate the capital budgeting process;
- Estimate a company's cost of capital;
- Define leverage and classify risks;
- Illustrate the liquidity position of a company.

Capability:

- Calculate and interpret different methods of different types of project;
- Analyze a company's cost of capital;
- Compute the degree of three different leverages;
- Evaluate a company's short term operation situation and compare with peer companies.

Mindset:

- Be logical, methodical, consistent and accurate
- Apply critical thinking in the process of decision making

Curriculum ideological and political education objective:

- Be integrity, ethical, confident
- Be cautious and corporative, keep communication with others
- Care about public interest

Teaching Methods

This course contains lectures, class discussions, homework, quizzes, presentation, test and exam.

Grade Criterion

Your grade will be determined based on the following:

Component	Weight	Description
Final Exam	20%	A cumulative final examination will be given based on all of the contents of the class. The exam paper may be composed of multiple-choice questions, short answer questions, essay questions, problems, and preparation of financial statements. Students should rely primarily on homework assignments to give them a sense of what they may see for material on exams.
Midterm Test	20%	A cumulative midterm test will be given based on all of the contents that have been taught in class. The test paper may be mainly composed of multiple-choice questions.
Homework	15%	Most of the assigned homework is taken from the exercises in the textbook. Assignments will be collected at the clearly stated date. Late assignments will not be accepted. The graded assignments will be kept by the tutor for reference and won't be returned to students.

Quizzes	15%	There will be at least 2 quizzes during the semester. Quizzes may or may not be announced in advance. It may also be used as a way to check the attendance. Quizzes will test your knowledge of both concepts and the application of those concepts.
Presentation	10%	The students will be divided into several groups to prepare a presentation. Each student is required to be involved in the presentation. The topics can be selected from the textbook or lectures. Each group need to finish a PPT related to the topic which is given and hand in the related resources to the teacher before the presentation.
Participation	10%	Individuals will be asked to participate individually in a question and answer at least 5 times during the semester. The performances should be counted in their participation.
Attendance	10%	Refer to attendance policy listed below
Total	100%	

Detailed Grade Computation

Component	Weight	Before Midterm	After Midterm
Attendance	10%	5%	5%
Participation	10%	5%	5%
Homework	15%	5%	10%
Quizzes	15%	5%	10%
Presentation	10%		10%
Midterm Test	20%	20%	
Final Exam	20%		20%
Total	100%	40%	60%

Assessment of Student Performance

☞ Self-study and English skills

The instructor will give out the chapters or reference books to read and use class hours for lectures and class discussion; students should be able to show a proactive attitude and ability for self-study and reading. Demonstrating written or oral English skills will be elements of most components of the course assessment including homework and presentations.

☞ Attendance

The course covers a great deal of material, so attending every class session is very important for performing well.

- Being late by 15 minutes or more is considered an absence for that class. Each

unexcused absence will result in your attendance score being reduced by one mark. Any excused absence must be discussed directly with the instructor.

- Absence which is more than 1/3 of the total teaching hours will cause an F (a failing grade) directly but students are welcome to continue attending classes.
- An incomplete grade (I) will be considered in case of medical or family emergencies.

☞ Participation

Group discussion of the course material is an important part of the learning process in this course. Students are expected to make a meaningful contribution to the class, whether by asking questions, responding to questions, delivering presentations or contributing in other ways to class discussion.

All of the following behaviors will be evaluated by the instructor and used to determine the student participation score:

- Students should participate in classes actively. They are encouraged to ask questions relevant to the subject, answer questions, and express their own opinion.
- Students should respect the ideas, opinions, and questions of their classmates.
- Students should bring the textbooks and a calculator to class.
- Students should use office hours to ask questions or talk with the instructor for good communication and effective learning.
- Students should not misbehave or engage in non-class related activities in class.

☞ Homework

Students are required to submit weekly homework assignments. Homework questions are taken from exercises in the textbook. It is expected that students will finish the assigned homework by themselves and hand it in prior to the start of the relevant class.

Each homework assignment will be marked on a 0–1 scale with a combined maximum of 10 marks for all homework assignments. Late homework will not be accepted. Homework will not be returned to students. Copying from others will be treated as cheating and the homework scores will be lowered.

☞ Presentation

The students will be divided into groups to prepare a presentation. Each student is required to be involved in the presentation. Each group needs to finish a PPT related to their topic and submit it before their presentation.

☞ Quizzes/ Test and Exams

There are at least 2 quizzes, 1 midterm test and 1 final exam during the semester. Quizzes may or may not be announced in advance.

Unless otherwise noted in class, students are expected to memorize the formulas and computations used to solve problems. Anything said or presented in class, in the text, on homework, or previous quizzes or exams may be tested. Exam/quiz papers may be composed of multiple-choice questions, short answer questions, essay questions, and calculation problems. Students may not leave the room during an exam/quiz unless they are ready to turn in their paper. **All personal communication devices should be turned off and put away during class and exam/quiz time.**

If you do not take an exam/quiz at the scheduled time, you will automatically receive

a zero for that exam. The purpose of this policy is fairness. If you experience a medical emergency or death in the family, you must notify the instructor prior to the exam/quiz. The reason for missing the exam and verification of that reason must be provided in writing.

Grading Scale

A+ 97-100	A 93-96	A- 90-92	B+ 87-89	B 83-86	B- 80-82
C+ 75-79	C 70-74	C- 67-69	D+ 63-66	D 62-60	F 0-59

Exam Schedule

Midterm Test:	April 25, 2022
Final Exam:	June 20-24, 2022

Course Outline

Week	Class	Topics
1	2	<ul style="list-style-type: none"> ● Syllabus Explanation ● Course Introduction
	1	➤ Reading 31. Introduction to Corporate Governance and Other ESG Considerations a. describe corporate governance. b. describe a company's stakeholder groups and compare interests of stakeholder groups. c. describe principal-agent and other relationships in corporate governance and the conflicts that may arise in these relationships.
2	2+1	d. describe stakeholder management. e. describe mechanisms to manage stakeholder relationships and mitigate associated risks. f. describe functions and responsibilities of a company's board of directors and its committees. g. describe market and non-market factors that can affect stakeholder relationships and corporate governance. h. identify potential risks of poor corporate governance and stakeholder management and identify benefits from effective corporate governance and stakeholder management.
3	2	i. describe factors relevant to the analysis of corporate governance and stakeholder management. j. describe environmental and social considerations in investment analysis. k. describe how environmental, social, and governance factors may be used in investment analysis. ✓ Comprehensive Exercises and explanations
	1	◆ Quiz 1
4	2+1	➤ Reading 32. Capital Budgeting a. describe the capital budgeting process and distinguish among the various categories of capital projects. b. describe the basic principles of capital budgeting. c. explain how the evaluation and selection of capital projects is affected by mutually exclusive projects, project sequencing, and capital rationing.

5	2+1	<p>d. calculate and interpret net present value (NPV), internal rate of return (IRR), payback period, discounted payback period, and profitability index (PI) of a single capital project.</p> <p>e. explain the NPV profile, compare the NPV and IRR methods when evaluating independent and mutually exclusive projects, and describe the problems associated with each of the evaluation methods.</p> <p>f. describe expected relations among an investment's NPV, company value, and share price.</p>
*6	1	✓ Comprehensive Exercises and explanations
7	2+1	<p>➤ Reading 35. Working Capital Management</p> <p>a. describe primary and secondary sources of liquidity and factors that influence a company's liquidity position.</p> <p>b. compare a company's liquidity measures with those of peer companies.</p> <p>c. evaluate working capital effectiveness of a company based on its operating and cash conversion cycles and compare the company's effectiveness with that of peer companies.</p> <p>d. describe how different types of cash flows affect a company's net daily cash position.</p>
8	2+1	<p>e. calculate and interpret comparable yields on various securities, compare portfolio returns against a standard benchmark, and evaluate a company's short-term investment policy guidelines.</p> <p>f. evaluate a company's management of accounts receivable, inventory, and accounts payable over time and compared to peer companies.</p> <p>g. evaluate the choices of short-term funding available to a company and recommend a financing method.</p> <p>✓ Comprehensive Exercises and explanations</p>
9	2	◆ Midterm Test
	1	<p>➤ Reading 33. Cost of Capital</p> <p>a. calculate and interpret the weighted average cost of capital (WACC) of a company.</p> <p>b. describe how taxes affect the cost of capital from different capital sources.</p> <p>c. describe the use of target capital structure in estimating WACC and how target capital structure weights may be determined.</p>
*10	1	<p>d. explain how the marginal cost of capital and the investment opportunity schedule are used to determine the optimal capital budget.</p> <p>e. explain the marginal cost of capital's role in determining the net present value of a project.</p> <p>f. calculate and interpret the cost of debt capital using the yield-to-maturity approach and the debt-rating approach.</p>
11	2+1	<p>g. calculate and interpret the cost of noncallable, nonconvertible preferred stock.</p> <p>h. calculate and interpret the cost of equity capital using the capital asset pricing model approach, the dividend discount model approach, and the bond-yield-plus risk-premium approach.</p> <p>i. calculate and interpret the beta and cost of capital for a project.</p> <p>j. describe uses of country risk premiums in estimating the cost of equity.</p> <p>k. describe the marginal cost of capital schedule, explain why it may be</p>

		upward-sloping with respect to additional capital, and calculate and interpret its break-points. l. explain and demonstrate the correct treatment of flotation costs. ✓ Comprehensive Exercises and explanations
12	2+1	➤ Reading 31 (2022). Capital Structure a. describe how a company's capital structure may change over its life cycle. b. explain the Modigliani-Miller propositions regarding capital structure. c. describe the use of target capital structure in estimating WACC, and calculate and interpret target capital weights. d. explain factors affecting capital structure decisions.
13	2	e. describe competing stakeholder interests in capital structure decisions. ✓ Comprehensive Exercises and explanations ◆ Quiz 2
	1	➤ Reading 34. Measures of Leverage a. define and explain leverage, business risk, sales risk, operating risk, and financial risk and classify a risk. b. calculate and interpret the degree of operating leverage, the degree of financial leverage, and the degree of total leverage.
14	2+1	c. analyze the effect of financial leverage on a company's net income and return on equity. d. calculate the breakeven quantity of sales and determine the company's net income at various sales levels. e. calculate and interpret the operating breakeven quantity of sales. ✓ Comprehensive Exercises and explanations
15	2+1	◆ Presentations
16	2+1	✓ Review
June 20-24		◆ Final Exam

Note: In the first three weeks, Xuexitong and the WeChat group will be used as the main teaching methods. The WeChat group will be mainly used to inform the students daily study activities and tasks. Xuexitong will be used as the main study platform to organize the study activities. When classes change back to school, Xuexitong will be mainly used to upload PPTs and release some learning materials.

Office Hours

- The instructor's office hours are shown at the front of the office door.
- Students should use the instructor's office hours and learning center to ask questions or talk with the instructor once per week for good communication and effective learning, which will count towards the students' participation score.
- The time can be scheduled by the instructor or student, or both.

Cheating and Plagiarism

Cheating and plagiarism are not tolerated. If any thoughts or writings of another person are used in a relevant assessment, they must be clearly identified (usually using quotation marks) and the source noted. Any student caught cheating or engaging in plagiarism on a relevant assessment will be given a mark of zero (0) for the particular work, and will be subject to disciplinary action in accordance with university policy.

Important Dates

Spring Semester, 2022	Feb 27, 2022— July 17, 2022
Feb.27	Registration
Feb.28	Classes Begin
Mar.4	Last Day to Drop or Add a Course
Apr.5	Qing Ming Festival
Apr.22	Spring Sports
Apr.25–29	Midterm Test (tentative)
May 1	Labor Day
June 3	Dragon-Boat Festival
June 20-24	Final Exam Period (Sophomores & Juniors)
June 27-July 17	Social Practice (Sophomores & Juniors)
July 11-15	Revision & Final Exam Period (Freshman)
July 18	Summer Vacation Begins

Note: This syllabus is tentative and may be changed or modified throughout the semester. All students will be notified of any changes.

Instructor: _____

Department Head: _____

