

Fall, 2022

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

**Econ3540: Foundations of Corporate Finance**

Instructor: Julian Du  
Email: [julandu@cuhk.edu.hk](mailto:julandu@cuhk.edu.hk)  
Phone: 3943-8008

Teaching assistants: Jing BU ([jingbu@link.cuhk.edu.hk](mailto:jingbu@link.cuhk.edu.hk))  
Xiaoyue TONG ([1155184268@link.cuhk.edu.hk](mailto:1155184268@link.cuhk.edu.hk))

Lecture Meeting Time: Tuesdays, 10:30am-1:15pm, September 6 --- November 29, 2022

Venue: Chung Chi College Lib CK TSE

**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, corporate valuation methods, 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, corporate value assessment, 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 is required; group report quality accounts for 30%, and group presentation performance 10%.

Final exam (open-book): 50%

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, 2022. In submitting a group report, group members should sign a statement that declares their workload percentage, 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: Investment Banking

Topic 16: Corporate Valuation: Comparable Companies Analysis

Topic 17: Corporate Valuation: Precedent Transactions Analysis

Topic 18: Corporate Valuation: Discounted Cash Flow

Topic 19: Corporate Valuation: Dividend Discount Model

Topic 20: Mergers and Acquisitions

Topic 21: Financial Distress

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