

## Corporate Finance Syllabus

Spring 2022. Wednesday 1:30 pm-4:05 pm. Law Library B122

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### ***Instructor Information:***

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### ***Course Overview:***

Firms compete in Consumer & Business Markets to sell their products & services, and they also compete in Capital Markets for the resources required to operate their business. Investors provide the capital (resources) to companies with the expectation that they will earn a competitive return on their capital and compensate them for risk. A consumer or business manager is continuously faced with financial choices and meeting the demands of both of these arenas of competition.

For the consumer these choices include, among others, financing a purchase, saving for retirement and evaluating investment products. For a business manager the choices include deciding which projects to pursue and alternative approaches to provide funds for these projects. Finance is the study of a framework that can be used to evaluate these choices consistent with the necessity of competing for investor capital. Regardless of your ultimate career, a solid understanding of the fundamentals of finance, will serve you well.

### ***Course Objective:***

The course will provide an analytical framework that can be consistently applied to evaluate financial decisions. By the end of this course you should be able to:

- Use discounted cash flow analysis to determine the value added of business decisions or the fair market value of investment securities.
- Understand the basic types of financial instruments used by firms.
- Understand the basic principles of no arbitrage, efficient markets, risk and return and capital structure.
- Develop cash flow projections from accounting data.
- Perform basic financial statement analysis.

### ***Text/Materials:***

Berk, DeMarzo and Hartford: Fundamentals of Corporate Finance, 4<sup>th</sup> Global Edition, Pearson Education, 2019, ISBN-13: 9781292215075

Class Webpage: <http://learn.tsinghua.edu.cn/>

Yuketang (<https://pro.yuketang.cn/>): WeChat

Video software (**FOR ONLINE STUDENTS ONLY**): ZHUMU or TENCENT

Students must own a hand held calculator with basic financial and exponential functions. In addition to basic exponential functions, your calculator must be capable of calculating NPV (net present value) and IRR (internal rate of return) for an uneven set of cash flows. Also, each student must have access

to a computer with spreadsheet software as many of the problems and concepts lend themselves to spreadsheet analysis.

***Homework Assignments:***

We will cover quite a bit of material each week, so you will be in trouble if you don't keep current. Therefore, homework from the text will be assigned weekly and graded. The homework assignments will be available on class webpage each week and due the week after they are assigned. I will post the solution after you have turned in the assignment.

Although assignments are due every week, not all the assignments will be graded. When assignments are not graded, you will receive full credit if handed in when due with all problems done. Late assignment will be assigned 50% credit. When assignments are graded as long as you have made an honest effort to complete all the problems the minimum score will be 60%.

Although I encourage you to work together on the individual homework assignments and form groups to help each other learn, I expect everyone to work through the homework through the problems on their own and hand in your own work. Handing in a homework assignment that is not your own individual work constitutes academic dishonesty and is grounds for failing the course.

***Exams:***

There will be a 2-hour midterm exam and a 2-hour final exam. The midterm will focus on the material covered in class since the beginning. The final exam will be cumulative. The midterm and final exam **will not** be open book, calculators will be required.

***Grading Policies and Guidelines:***

Grading will be based on a combination of the following:

Homework	25%
Midterm	20%
Quiz	5%
Final Exam	50%

There will be no individual letter grades assigned to homework, other assignments or exams. Final grades will be based on the total points earned on all the graded elements of the course. You will be provided with regular feedback on where you stand in the course relative to your classmates.

***Course Policies***

Attendance: Course attendance is strongly recommended as most of the problems we cover in class will not be in the course notes.

Late Homework: All individual homework is due at the beginning of class the day it is due. No Exceptions. No late homework will be accepted after the final exam.

***Academic Policies***

Tsinghua Academic Honor Code defines academic misconduct as any act by a student that misrepresents the student's own academic work or that compromises the academic work of another. Scholastic misconduct includes (but is not limited to) cheating on assignments or examinations, plagiarizing, i.e., misrepresenting as one's own work any work done by another, submitting the same paper, or substantially similar papers, or sabotaging another's work. Students found guilty of academic misconduct face penalties ranging from lowering of the course grade or awarding a grade of F for the entire course, to suspension from the University.

## *Tentative Course Outline*

<b>Date</b>	<b>Session Topic</b>
2/23/2022	<b>Week 1: Brief Overview of Finance Basics</b>
3/2/2022	<b>Week 2: The Valuation Principle and Intro to TVM</b>
3/9/2022	<b>Week 3: TVM &amp; - Interest Rates &amp; Inflation</b>
3/16/2022	<b>Week 4: Bonds</b>
3/23/2022	<b>Week 5: Investment Decision Rules</b>
3/30/2022	<b>Week 6: Accounting Review &amp; Fundamentals of Capital Budgeting</b>
4/6/2022	<b>Week 7: <b>**Midterm Exam**</b></b>
4/13/2022	<b>Week 8: Capital Budgeting Cont'd</b>
4/20/2022	<b>Week 9: Stock Valuation</b>
4/27/2022	<b>Week 10: Stock Valuation Cont'd</b>
5/4/2022	<b>Week 11: Holiday</b>
5/11/2022	<b>Week 12: Risk &amp; Return in Capital Markets</b>
5/18/2022	<b>Week 13: Risk &amp; Return in Capital Markets Cont'd</b>
5/25/2022	<b>Week 14: WACC and Capital Structure</b>
6/1/2022	<b>Week 15: WACC and Capital Structure Cont'd</b>
6/8/2022	<b>Week 16: Equity Financing</b>
	<b>Week 17&amp;18: Finals Week</b>