

# Research Seminar Syllabus

## 1. Overview

<b>Title</b>	<b>Corporate Finance</b>		
<b>Mode</b>	Leading Instructor Sessions & Teaching Fellow Sessions		
<b>Prerequisites</b>	<b>High School Students</b>	Required course/Knowledge	Basic, high school maths would be useful (e.g. algebra).
		Recommended Materials for preparing for the course	Read articles in financial/economics publications like 财新, Financial Times and Economist magazine.
	<b>College Students</b>	Required course/Knowledge	Basic, high school maths would be useful (e.g. algebra).
		Recommended Materials for preparing for the course	Read articles in financial/economics publications like 财新, Financial Times and Economist magazine.

## 2. Program Introduction and Objectives

<b>Course Description</b>	<p>The purpose of this course is to introduce students to the theory and practice of corporate finance. The method of teaching will include lectures and case studies. The lectures will introduce some theories and give examples of applications. The case studies will give students a chance to apply these ideas themselves to real companies and discuss the advantages and disadvantages of different approaches.</p> <p>Some issues we will discuss:</p> <ul style="list-style-type: none"> <li>• What is finance? What role does it play in the economy?</li> <li>• How do we price bonds, stocks and options? Can we use these ideas to help with other business decisions? Why did investment banks lose so much money on credit derivative swaps during the credit crisis?</li> <li>• How can firms get capital for investment? What are the advantages of different sources of capital?</li> <li>• How do we deal with conflicts of interest between different stakeholders? What role does bankruptcy play?</li> <li>• Are hostile takeovers good for the firms involved? What about the economy as a whole?</li> <li>• Why do we need venture capital? How does VC work in the US? In China?</li> </ul>
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	<p>The cases studies will include:</p> <ul style="list-style-type: none"> <li>• Baosteel’s corporate governance</li> <li>• Bed, Bath and Beyond’s capital structure decision</li> <li>• Consolidated Rail’s takeover</li> <li>• Disney’s management of exchange rate risk</li> <li>• Eastern Airlines bankruptcy</li> <li>• Gobi Partners facing venture capital issues in China</li> </ul> <p>The cases have been chosen to offer students challenging, real-life decisions to analyze.</p>
<b>Software/Tools (if any)</b>	Nothing special for class. Possibly Word/Powerpoint or equivalent for writing papers and creating presentations.

### 3. Program Schedule

<b>Class</b>		<b>Leading Instructor Session</b>	<b>Teaching Fellow Session (lab/case study, etc.)</b>	<b>Assignment</b>	<b>Reading Materials</b>
<b>1</b>	<b>Topic</b>	<b>Bond Markets</b>		Answer two bond questions.	Brealey, Myers & Allen, cChs 2, 3
	<b>Detail</b>	<p>What are bonds? What are the main types of bonds? Why is the bond market important?</p> <p>How do investors price bonds? How do we value money at different times or with different credit risks?</p>	<p>Discuss questions related to topics covered in class.</p> <p>Work through the first bond problem.</p>		
<b>2</b>	<b>Topic</b>	<b>Stock Markets</b>		Two stock questions.	Brealey, Myers & Allen, Ch 4, 7, 8
	<b>Detail</b>	<p>How do we price stocks? How do we measure a stock’s risk? How do we account for risk when pricing a stock?</p> <p>What are the different styles of stock investor? When will each style do well or badly? How do the Chinese and American stock markets differ?</p>	<p>Discuss questions related to topics covered in class.</p> <p>Work through the first stock problem.</p>		
<b>3</b>	<b>Topic</b>	<b>Capital Structure</b>		Two capital structure questions.	Brealey, Myers & Allen, Ch 16, 17, 18
	<b>Detail</b>	<p>How do firms fund themselves? How much debt should a firm have? Why is tax and asymmetric information important for corporate finance?</p> <p>Case study: Bed, Bath and</p>	<p>Discuss questions related to topics covered in class.</p> <p>Work through the first capital structure problem.</p> <p>Help students prepare</p>	<p>Prepare for Bed Bath and Beyond case.</p>	<p>Bed Bath and Beyond Case</p>

		Beyond	for Bed Bath and Beyond case		
4	<b>Topic</b>	<b>Bankruptcy</b>		Two bankruptcy questions. Prepare for Eastern Airlines negotiation.	Brealey, Myers & Allen, Ch 32.4 Eastern Airlines negotiation materials
	<b>Detail</b>	What happens when a firm goes bankrupt? What problems particularly afflict firms close to bankruptcy? Why might shareholders and creditors have conflicting interests in bankruptcy?  Negotiation game: Eastern Airlines	Discuss questions related to topics covered in class.  Work through the first bankruptcy problem.  Help students prepare for Eastern Airlines negotiation.		
5	<b>Topic</b>	<b>Corporate Governance</b>		Two corporate governance questions. Prepare for Baoshan Steel case.	Brealey, Myers & Allen, Ch 33 Baoshan Steel case.
	<b>Detail</b>	What conflicts exist in firms? How are they are handled? Why might large and small shareholders conflict? What about shareholders and creditors, or shareholders and managers? What particular corporate governance challenges does China face?  Case: Baoshan Steel	Discuss questions related to topics covered in class.  Work through the first bankruptcy problem.  Help students prepare for Baoshan Steel case.		
6	<b>Topic</b>	<b>Mergers &amp; Acquisitions</b>		Two M&A questions. Prepare for Consolidated Rail case.	Brealey, Myers & Allen, Ch 31, 32.1-2 Consolidated Rail Case.
	<b>Detail</b>	Why do firms acquire other firms? What problems could they face? How can acquisition targets protect themselves? What problems can these protections create?  Case: Consolidated Rail	Discuss questions related to topics covered in class.  Work through the first M&A problem.  Help students prepare for Consolidated Rail case.		
7	<b>Topic</b>	<b>Venture Capital</b>		Two venture capital questions. Prepare for Gobi Partners case.	Brealey, Myers & Allen, Ch 15, 32.3 Gobi Partners Case
	<b>Detail</b>	How are high risk/high reward firms funded? What special challenges to venture capitalists face? How do they meet these challenges? What problems might entrepreneurs face when dealing with venture	Discuss questions related to topics covered in class.  Work through the first venture capital problem.		

		capitalists?	Help students prepare for Gobi Partners case.		
8	<b>Topic</b>	<b>Risk Management</b>		Two risk management questions. Prepare for Disney case.	Brealey, Myers & Allen, Ch 26, 27 Disney case
		What risks do firms face? How do they alleviate these risks? What are the main types of derivatives? How can they be used to manage risk cheaply and effectively?	Discuss questions related to topics covered in class. Work through the first risk management problem. Help students prepare for Disney case.		
9	<b>Topic</b>	<b>Project Workshop</b>		Prepare presentation and write paper	Any materials useful for presentation or paper.
	<b>Detail</b>	Discussion and feedback for students on presentations and papers	Presentation and paper preparation Q&A session		
10	<b>Final Oral Presentation</b>				

#### 4. Final Oral and Written Project

Detailed requirements of the final project:

- Students will be formed into groups of about 4-5 students.
- Each group should pick a topic for the presentation and final paper. The presentation should be given as a group, but each student should submit their own paper.
- The topic can be related to the topics discussed in the class, or can be another topic of interest to students. However, the presentation and paper should not just repeat the ideas discussed in the class. It should include some new ideas discovered by the students in their reading.

##### 5.1 Final Oral Presentation

Final group presentation:

- Presentation should last for no more than 20 minutes.
- Content:
  - The presentation should be well-structured and the structure should be presented in the introduction.
  - You should present arguments/evidence in support of your ideas.
  - Don't try to cover too much material. Covering four or five points well is better than trying to rush through twenty points. Similarly, do not provide too much detail – your audience will not remember it all. Focus on key ideas.
- Presentation:
  - The slides should be consistently designed (i.e. every slide should have the same style, heading, fonts, colors, etc.). You can use Powerpoint templates to achieve this. Consistency in these areas makes your slides look more professional.

- The slides should visually present data or ideas where possible (e.g. using graphs and diagrams). Photos generally do not convey much information, so should be used sparingly.
- Avoid reading when presenting. You can refer to key points on notes but use your own words. I know this is harder in a foreign language, but it is better to make some language errors than to bore your audience by reading.

### **5.2 Will you require a written final report as well?**

Final paper should be submitted as individuals (not as a group) and be at most 1500 words. It can be on the same topic as your group presentation or another topic if you want wish. Most of the advice for the presentation also applies to the paper. In particular, have a clear structure:

- Introduction: What is the paper about and what are your main points?
- Main arguments: Three or four main points. Each point should be supported by a logical argument and/or empirical evidence.
- Conclusion: What are the main ideas to take away? Are there any other ideas you did not have time to explore?

## **5. Reading Materials**

The textbook for this course is Brealey, Myers & Allen *Principles of Corporate Finance*. The chapter references given in the schedule are based on the 12<sup>th</sup> edition, but other editions would be fine too (but you might need to check if the chapters are the same). I believe there is a Chinese translation as well.

In addition, we will read a selection of case studies (see schedule for details). All students taking the course will receive a copy of each of the cases.

When reading cases, try to avoid getting bogged down in detail and instead grasp the main ideas. After each reading, you should be able to give informed answers on the material, but you do not need to remember every detail. I will provide questions for each case to help guide your reading. The discussions in class will be based on these questions, but we may explore other issues too.

## **6. Evaluation**

Percentage basis of evaluation (must total 100%):

Class Participation (including case discussions):		20%
Problems:		30%
Final Project:	Presentation	20%
	Paper	30%