

National Tsing Hua University
QF2146 Corporate Finance
Course Syllabus

Instructor: **Tak-Yuen Wong**
Email: etywong110@gmail.com
Office: TSMC Building Room 755
Office Hours: by appointment

Course Description

This course offers an introduction to corporate finance, covering key aspects of corporate decisions such as investment, financing, and payout. A solid understanding of these corporate decisions is crucial for effectively valuing corporate securities. In the first part of the course, we will develop the theory of capital structure, examining economic factors influencing optimal corporate policies and their impact on debt, equity, and asset valuation. We mostly build on financial management concepts, including the principles of valuation, cost of capital, and CAPM. In the second part, we adopt a high-level perspective, viewing firms as a collection of real options. This part focuses on developing a fundamental approach to option pricing and its application in analyzing decisions related to partially irreversible investments and risk management.

Learning Objectives

Upon completion of the course, you should be able to understand

- The practice of debt and equity financing.
- The economic determinants of optimal capital structure and financial policies.
- The effects of financial leverage on capital budgeting decisions.
- The main method for option pricing, and its application to evaluate real options

Textbook

Berk, Jonathan, and Peter DeMarzo, 2020, *Corporate Finance*, Pearson, 5th Edition.

- A systematic introduction to the theory and practice of corporate finance.

- Lecture notes are mostly based on the textbook.

Grading Policy

Grades are based on assignments (30%), a midterm exam (30%) and a final exam (40%).

Assignments are individual and should be typed or written legibly. You must submit in hard copy in class on the scheduled date. No late submissions will be accepted.

Both exams are closed-book and closed notes. A (financial) calculator is allowed but no other electronic device (e.g., calculator on a smart phone is not permitted). Extra practice problems will be provided before exams. Schedule for exams will be announced on the first day of the class. In case you cannot attend any of the exams, you must apply for a makeup beforehand with valid proof.

Tentative Class Schedule

This is an approximate schedule of topics that will be covered. You are recommended to read the corresponding book chapter prior to the lecture.

Topic	Textbook
1. Long-term financing	Ch. 23, 24
2. Capital Budgeting	Ch. 7, 8
3. Capital structure	Ch. 14, 15, 16
4. Payout policy	Ch. 17
5. Capital Budgeting with Leverage	Ch. 18
6. Financial options	Ch. 20, 21
7. Real options	Ch. 22
8. Risk management	Ch. 30