

## Subject Description Form

<b>Subject Code</b>	AF4320
<b>Subject Title</b>	Corporate Finance
<b>Credit Value</b>	3
<b>Level</b>	4
<b>Normal Duration</b>	1-semester
<b>Pre-requisite / Co-requisite/ Exclusion</b>	<b>Pre-requisite:</b> Business Finance (AF3313)
<b>Role and Purposes</b>	This subject builds on the AF3313 Business Finance and covers some advanced topics of corporate finance. This subject contributes to the achievement of the BBA Outcomes by enabling students to apply basic financial theories, to analyze financial reports and to understand the operation of financial markets (Outcome 7), identify ethical issues as they arise (Outcome 4) and communicate in English effectively (Outcome 1).
<b>Subject Learning Outcomes</b>	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> <li>a. Identify the major responsibilities of financial managers;</li> <li>b. Apply financial theories to maximize firm value or shareholders' wealth</li> <li>c. Identify the factors affecting capital structure and dividend policy and their effect on the cost of capital;</li> <li>d. Identify ethical issues of corporate finance.</li> <li>e. Understand the various sources of external financing available in Hong Kong.</li> </ol>
<b>Subject Synopsis/ Indicative Syllabus</b>	<p><b>Corporate Governance</b> Corporate goal. Agency problem and Control of the Corporation.</p> <p><b>Fisher Separation Theorem</b> Consumption decisions and utility theory. Capital markets and production opportunities. Implications of Fisher Separation Theorem.</p> <p><b>Efficient Market Hypothesis</b> Three forms of efficiency. Implications for corporate finance. Market Anomalies and empirical challenges.</p> <p><b>Long-term Financing in Hong Kong Capital Market</b> Different types of equity and debt securities. Alternative equity and debt Issue methods. Cash and Rights offerings. Bond refunding</p> <p><b>Capital Structure</b> Theories of capital structure. MM propositions. Taxes, Costs of Financial distress. Agency costs of equity. Agency costs of debt.</p> <p><b>Valuation and Capital Budgeting for the Levered Firms</b> Adjusted Present Value approach, Flow-to-Equity approach, Weighted Average Cost of Capital (WACC) approach.</p>

	<p><b>Dividend Policy</b> Dividends and stock repurchases. Stock dividends and stock splits. Theories of dividend policy. Dividend policies in practice.</p> <p><b>Options</b> Option Basics. Put-call parity, Option Pricing. Stocks and Bonds as options.</p>																																																																					
<b>Teaching/Learning Methodology</b>	The seminars mainly cover the key concepts and theories in Corporate Finance. Students have opportunities to present the applications of financial theories.																																																																					
<b>Assessment Methods in Alignment with Intended Learning Outcomes</b>	<table border="1" data-bbox="456 568 1482 1144"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="6">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th>d</th> <th>e</th> <th></th> </tr> </thead> <tbody> <tr> <td><b>Continuous Assessment</b></td> <td><b>50%</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Class Participation</td> <td>5%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>2. Project</td> <td>20%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>3. Midterm Test</td> <td>25%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td><b>Final Examination</b></td> <td><b>50%</b></td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td><b>Total</b></td> <td><b>100 %</b></td> <td colspan="6"></td> </tr> </tbody> </table> <p>To pass this subject, students are required to obtain Grade D or above in <b>both</b> the Continuous Assessment and Examination components.</p>								Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d	e		<b>Continuous Assessment</b>	<b>50%</b>							1. Class Participation	5%	√	√	√	√	√		2. Project	20%	√	√	√	√	√		3. Midterm Test	25%	√	√	√	√	√		<b>Final Examination</b>	<b>50%</b>	√	√	√	√	√		<b>Total</b>	<b>100 %</b>						
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<b>Student Study Effort Expected</b>	Class contact:																																																																					
	▪ Seminars				39 Hrs.																																																																	
	Other student study effort:																																																																					
	▪ Prepare tutorial questions:				Around 30 Hrs.																																																																	
	▪ Mid-term test and Final Examination				40 Hrs.																																																																	
	Total student study effort				109 Hrs.																																																																	
<b>Reading List and References</b>	<p>Ross, Westerfield, Jaffe, Lim, Tan and Wong, Corporate Finance, Asia Global Edition, McGraw-Hill.</p> <p>Brealey, R.A. and S.C. Myers, Principles of Corporate Finance, McGraw-Hill/Irwin, latest edition.</p> <p>McGuinness, P.B., <i>A Guide to the Equity Markets of Hong Kong</i>, Oxford University Press, 1999.</p>																																																																					