Subject Code	AF5312				
Subject Title	Principles of Corporate Finance				
Credit Value	3				
Level	5				
Normal Duration	One Semester				
Pre-requisite / Co-requisite/ Exclusion	Pre-requisite: None Exclusion: AF5318 Financial Management AF5326 Managerial Finance				
	AF5327 Finance for Executives				
	AF5331 Corporate Financial Management				
Objectives	This course introduces students to the foundation knowledge and techniques in corporate finance, as well as covering more specialised aspects of corporate finance on which other subjects can be built. This course will help students to identify real life corporate finance issues and explain the related observations or phenomena in terms of sound financial theories concepts (MSc AFA Programme Outcome 1). Students are also able to apply the up-to-date corporate finance principles and see their impact on corporate policies and strategies.				
Intended Learning	Upon successful completion of this course, students should be able to:				
Outcomes	a. Understand the major tasks of corporate finance;				
	<ul> <li>Understand the role of financial markets and interest rate in corporate financing and how they should be incorporated in corporate financing decisions;</li> </ul>				
	c. Understand the importance of time value of money and its relevance to corporate financial decisions, and be able to apply the up-to-date knowledge acquired in the course to solve similar capital budgeting problems in other real case situations;				
	d. Understand the return-risk relation and the CAPM;				
	e. Understand issues of cost of capital, capital structure, and different methods of equity and debt financing.				

Subject Synopsis/ Indicative Syllabus	Key Concepts of Corporate Finance						
	Corporate finance and the financial manager; goals of corporate management; agency problem, corporate governance and control o the corporation; value of the firm expressed as contingency claims time value of money and present value.					ntrol of	
	Valuation and Capital Budgeting						
	Evaluation of capital investment decisions using the net present value rule; alternative rules for capital budgeting; Risk and return; the CAPM.						
	Market Efficiency and Behavioral Finance						
	The efficient market hypothesis; behavioral finance; financial crises.					ses.	
	Capital Structure						
	Financial leverage and firm value; implications of Modigliani and Miller propositions; capital structure and cost of capital; optimal capital structure; limits to the use of debt; valuation and capital budgeting for the levered firm.					capital	
	Dividend Policy						
	Types of dividend; dividend policies; factors affecting dividend payout policy.						
	Long-term Equity and Debt Financing						
	Public issue; alternative issue methods; cash offer; announcemer new equity and the value of the firm; cost of new issues; rights; new-issue puzzle; types of bonds; public issue of bonds; b refunding; bond rating; private placement of securities.					ts; the	
Teaching/Learning Methodology	The subject is structured around lectures/seminars, supplemented by exercises within and outside class. Participants are urged to prepare themselves well for each class and to proactively interact with both the instructor and other students. Students should read all relevant chapters a few times and try self-test questions assigned in class.						
Assessment Methods in Alignment with Intended Learning Outcomes	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)				
			а	b	с	d	е

	1. Class participation	10%	~	~	~	~	~
	2. Group presentation of case study	20%	~	~	~	~	~
	3. Mid-term test	20%	~	~	~	~	~
	4. Final examination	50%	~	~	~	~	~
	Total	100 %					
	Explanation of the appropriateness of the assessment methods assessing the intended learning outcomes: Class participation-Students are required to actively participate classroom discussion and other various classroom activities (e.g., sel test problems) arranged by the lecturer. Performance on problet solving will be evaluated on the effort rather than accuracy. It cover the intended learning outcomes (a), (b), (c), and (d).					ods in	
						., self- oblem	
	Group presentation of case study – Students can either form a group (the minimum number of three and the maximum number of five) or choose to be assigned to a group by the lecturer. Each group will choose one case study (to be assigned later) and all group members are required to make a 10-minute presentation in class and answer questions raised by the instructor and classmates during Q&A sessions. It covers the intended learning outcomes (a), (b), (c), and (d).						ive) or up will mbers nswer Q&A
	Mid-term test – A closed-book test with compulsory multiple-choir questions and short analytical questions. It covers the intender learning outcomes (a), (b), and (c).						
	Final examination – 3-hour closed book examination with compulsory questions covering most of the intended learning outcomes.				ulsory		
	Note: The specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.						
Student Study Effort Expected	Class contact:						
	<ul> <li>Lectures / Seminars</li> </ul>				39Hrs	S.	
	Other student study effort:						

	<ul> <li>On average, students are expected to spend about 39 hours for reading teaching materials and doing exercise questions.</li> </ul>	39 Hrs.				
	<ul> <li>On average students are expected to spend 36 hours for the group project discussion, presentation, and report writing.</li> </ul>	36 Hrs.				
	Total student study effort	114 Hrs.				
Reading List and References	TextbookRoss, Westerfield, Jaffe, and Jordan, Corporate Finance, 12th Edition, McGraw-Hill. (ISBN: 978-1-260-09187-8)ReferenceBrealey, R., Myers, S., and F. Allen, Principles of Corporate Finance, McGraw-Hill, latest edition.					
	Copeland, T., Weston, J., and Shastri, K., <i>Financial Theory an</i> <i>Corporate Policy</i> , Pearson, latest edition.					
	Ross, S.A., R.W. Westerfield & B.D. Jordan, <i>Fundamentals of Corporate Finance</i> , latest edition, McGraw-Hill.					
	Shefrin, H., Behavioral Corporate Finance, McGraw-Hill, latest editio					