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Nanchang University
FINM485: Corporate Finance and Governance
(Last Updated in Jan. 2025)

Credit: 4

Contact Hours

This course is composed of 24 lecture sessions, 3 tutorial sessions and 9 office contact hours. Each lecture session takes 2 contact hours in length; each tutorial session takes 3 contact hours in length; There will be a Q-A review session (3 contact hours) and Final Exam (3 contact hours) at the end of this term. This course has 72 contact hours in total.

Course Description

This course provides a primarily theoretical exploration of corporate finance and governance. Key modules will concentrate on developing models for a public corporation's optimal capital structure and dividend policy. We'll also analyze market frictions arising from agency problems and asymmetric information, examining how these factors influence financial decisions. Additional topics include herding behavior in financial markets, corporate takeovers (M&A), and the design of incentives for top executives.

After completion of this course, students will be able to:
1. Identify and define the key concepts and essential terminology of corporate finance and governance.
2. Analyze the impact of asymmetric information and agency problems on core corporate policies.
3. Explain how asymmetric information and agency problems shape a firm's financing and investment decisions, payout policies and corporate governance mechanisms.
4. Demonstrate a basic understanding of the theoretical frameworks used to model and address these informational and incentive-based challenges within a corporation.

Note: This Syllabus is subject to change based on the needs of the class.

Required Textbook

Textbook: *Corporate Finance (6th Edition)*, by Jonathan Berk, Peter DeMarzo, and David A. Stangeland

Grading

- Participation 5%
- Homework 15%
- Quizzes 15%
- Midterm Exam 25%
- Final Exam 40%

A+ 96-100	A 90-95	A- 85-89
B+ 82-84	B 78-81	B- 75-77
C+ 71-74	C 66-70	C- 62-65
D 60-61	F < 60	

Course Schedule

The course has 24 class sessions in total. All sessions are 2 contact hours in length. At the end of this term, there will be a Q-A review session(3 contact hours) and Final Exam (3 contact hours).
Note: the course outline and required readings are subject to change.

Class 1:
Course Overview & Background Knowledge Review

Class 2:
Investor Behavior and Capital Market Efficiency

Class 3:
Modigliani-Miller I: Leverage, Arbitrage, and Firm Value

Class 4:
Modigliani-Miller II: Leverage, Arbitrage, and Firm Value

Class 5:
Capital Structure Fallacies

Class 6:
Valuing the Interest Tax Shield

Class 7:
The Costs of Bankruptcy and Financial Distress

Class 8:
Financial Distress Costs and Firm Value

Class 9:
Optimal Capital Structure: The Tradeoff Theory

Class 10:
Exploiting Debt Holders: The Agency Costs of Leverage

Class 11:
Moral Hazard, Bailouts, and the Appeal of Leverage

Class 12:
Midterm

Class 13:
Agency Costs and the Tradeoff Theory

Class 14:
Asymmetric Information and Capital Structure

Class 15:
Payout Policy

Class 16:
Distributions to Shareholders

Class 17:
Comparison of Dividends and Share Repurchases

Class 18:
Signaling with Payout Policy

Class 19:
The Flow-to-Equity Method

Class 20:
Special Topics: Mergers and Acquisitions

Class 21:
Special Topics: Corporate Governance

Class 22:
Special Topics: Risk Management

Class 23:
Special Topics: International Corporate Finance

Class 24:
Review for Final

Attending Policy

Regular and prompt attendance is required. Under ordinary circumstances, you may miss two times without penalty. Each absence over this number will lower your course grade by a third of a letter and missing more than five classes may lead to a failing grade in the course. Arriving late and/or leaving before the end of the class period are equivalent to absences.

Policy on "Late Withdrawals"

In accordance with university policy, appeals for late withdrawal will be approved ONLY in case of medical emergency and similar crises.

Academic Honesty

Nanchang University expects all students to do their own work. Instructors will fail assignments that show evidence of plagiarism or other forms of cheating, and will also report the student's name to the University administration. A student reported to the University for cheating is placed on disciplinary probation; a student reported twice is suspended or expelled.

General Expectations:

Students are expected to:

— Attend all classes and be responsible for all materials covered in class and otherwise assigned;

—Complete the day's required reading and assignments before class;

—Review the previous day's notes before class and make notes about questions you have about the previous class or the day's reading;

—Participate in class discussions and complete required written work on time;

— Refrain from texting, phoning or engaging in computer activities unrelated to class during the class period;

—While class participation is welcome, even required, you are expected to refrain from private conversations during the class period.

Special Needs or Assistance

Please contact the Administrative Office immediately if you have a learning disability, a medical issue, or any other type of problem that prevents professors from seeing you have learned the course material. Our goal is to help you learn, not to penalize you for issues which mask your learning.