

Session: Semester I, 2014/2015 (11 August 2014 – 15 November 2014)

Instructor

Daniel Ong Email: bizospd@nus.edu.sg Sections: B3 (Thursdays, 11am-2pm) B4 (Thursdays, 2pm-5pm) Classroom: Biz2 #05-09	Office: Biz2 #02-18
--	---------------------

Course Objectives

This course aims to provide students with an in-depth understanding of Corporate Finance. Students will be exposed to key financial issues faced by modern-day finance managers of corporations. The course will also equip students with conceptual and analytical skills necessary to make sound financial decisions. Cases will be used to illustrate the concepts taught in lectures.

Textbook and Reference

Main Textbook: (RWJ)

Corporate Finance
9th edition, 2010
Ross, Westerfield, and Jaffe
McGraw-Hill International Edition

Assessments Methods

Class Participation	10%
3 Tutorial Assignments (group basis)	12%
1 Case study and 2 Critiques (group basis)	23%
Test 1	20%
Test 2	35%
Total	<hr/> 100%

Limited Open Book Tests

No formula sheet will be provided in the tests. Students are allowed to bring in ONE (1) sheet (A4 size) of notes. Only NUS approved (non-programmable) calculators are allowed. The tests may consist of multiple-choice questions, quantitative and open-ended questions that examine the total understanding and creativity of the student with respect to the course materials.

Class Participation

Students are expected to have done pre-class readings and be actively involved in class discussions. Extra credit will be granted to those who can contribute towards class discussions and/or the discussion forum.

Case Assignments

Each class will be divided into 9 groups for case assignments. We will cover 3 cases during the semester. Out of the 9 groups, there will be 3 primary groups for each case. Groups 1A, 1B & 1C will take on the primary responsibility for case 1; groups 2A, 2B & 2C for case 2 and groups 3A, 3B & 3C for case 3. The 3 primary groups for the case will each submit a comprehensive report **NOT exceeding overall total of 15 pages** including texts, tables and appendices by the due date in both hard and soft copies. The report must be typewritten, A4 size paper, double-spacing, font 11 and is due by **6pm on Wednesday** of the week before the case presentation. The soft copies will facilitate distribution of reports to the other 6 non-primary groups. The 6 non-primary groups are each required to submit a short critique of one of the reports. The critique is limited to **one page** (A4 sized, font 11, double spacing) and the **hard** copy must be submitted by the **Monday, 6pm** of the week of presentation. During the case presentation, the 3 groups with primary responsibility will be given 25 minutes each to present their analysis. All students are expected to actively participate in the case discussions. The assignment of the non-primary groups is as follows:

Case Number	Presenting (Primary) Group	Critique (Non-Primary) Group
1	1A	2A, 3A
1	1B	2B, 3B
1	1C	2C, 3C
2	2A	1A, 3A
2	2B	1B, 3B
2	2C	1C, 3C
3	3A	1A, 2A
3	3B	1B, 2B
3	3C	1C, 3C

Case assignment and guidelines will be made available two weeks before the due date.

Tutorial and Discussion

Each student is expected to contribute to the tutorial assignments. Each tutorial consists of a number of questions and/or mini-cases related to topics that are covered in class. These questions may require downloading and analysis of financial data. Please note that group-based answers will be collected for grading. The group membership is the same as that for case study. Issues arising from the assignment will be discussed in class. The due date for the **hard** copy of each tutorial is provided in the schedule.

Submission Policy

Tutorial submissions, case reports and critiques are done on a group-basis. The hard copies must reach the instructor by the due date and time. Late submissions will be penalized.

Schedule

Week	Topic and Readings
Week 1: August 14 (Thursday)	Topic 1: Introduction <ul style="list-style-type: none"> • Course Overview • Corporation and Agency Issues • Review of Risk and Return Readings: RWJ Chapter 1, 10, 11, 12
Week 2: August 21 (Thursday)	Topic 2: Capital Budgeting <ul style="list-style-type: none"> • Review of Portfolio Theory and CAPM • Risk, return, and cost of capital • Sensitivity, scenario and break-even analysis • Real Options Readings: RWJ Chapter 10, 11, 12, 13, 7, 23
Week 3: August 28 (Thursday)	Topic 3: Capital Structure I <ul style="list-style-type: none"> • Efficient market hypothesis • Raising capital • Issuing securities • Venture capital and IPO • Rights issue Readings: RWJ Chapters 14, 20
Week 4: September 4 (Thursday)	Topic 4: Capital Structure II <ul style="list-style-type: none"> • Theories of capital structure • Tax effects Readings: RWJ Chapter 16 Assignment due by <u>6pm Wed Sep 3</u>: Tutorial 1
Week 5: September 11 (Thursday)	Topic 5: Capital Structure III <ul style="list-style-type: none"> • Limits to the use of debt • Costs of financial distress • Agency costs • Is there an optimal capital structure? • Interactions between Investments and Financing Readings: RWJ Chapters 17, 18

<p>Week 6: September 18 (Thursday)</p>	<p>Topic 6: Mergers and Acquisitions</p> <ul style="list-style-type: none"> • Merger motives • Types of acquisitions • Value of corporate control • Merger valuations • Empirical evidence <p>Readings: RWJ Chapter 29</p> <p>Discussion of Tutorial 1</p> <p>Assignment due by <u>6pm Wed Sept 17</u>: Tutorial 2</p>
<p>Recess Week</p>	<p>from 20-28 September</p> <p>Assignment due by <u>6pm Wed Sept 24</u>: Case 1(hard and soft copies).</p> <p>Case reports to be made available to Groups 2A, 2B, 2C, 3A, 3B and 3C.</p>
<p>Week 7: October 2 (Thursday)</p>	<p>Presentation and discussion of Case 1</p> <p>Assignment due by <u>6pm Mon Sep 29</u> : One-page Critique of Case 1 from Groups 2A, 2B, 2C, 3A, 3B and 3C.</p> <p>Presentation and discussion of Tutorial 2</p>
<p>Week 8: October 11 (Saturday)</p>	<p><u>Test 1</u> covers topics up to Tutorial 2</p> <p>Sat Oct 11, 2014 : 1pm to 3pm (2 hours)</p> <p>Allowed to bring 1 A4 size single-sided sheet of notes and a financial calculator</p>
<p>Week 9: October 16 (Thursday)</p>	<p>Topic 7: Dividend Policy</p> <ul style="list-style-type: none"> • Is dividend policy irrelevant? • Share repurchase and dividend policy <p>Readings: RWJ Chapter 19</p> <p>Assignment due by <u>6pm Wed Oct 15</u>: Case 2 (hard and soft copies).</p> <p>Case reports to be made available to Groups 1A, 1B, 1C, 3A, 3B and 3C.</p>
<p>Week 10: October 23 (Thursday)</p>	<p>Presentation and discussion of Case 2</p> <p>Assignment due by <u>6pm Mon Oct 20</u> : One-page Critique of Case 2 from Groups 1A, 1B, 1C, 3A, 3B and 3C.</p> <p>Assignment due by <u>6pm Wed Oct 22</u>: Tutorial 3</p>
<p>Week 11: October 30 (Thursday)</p>	<p>Assignment due by <u>6pm Wed Oct 29</u>: Case 3 (hard and soft copies).</p> <p>Case reports to be made available to Groups 1A, 1B, 1C, 2A, 2B and 2C.</p> <p>Topic 8: Optional Topic – Corporate Risk Management</p>

	<ul style="list-style-type: none">• Derivatives, Hedging Readings: RWJ Chapter 25
Week 12: November 6 (Thursday)	Assignment due by <u>6pm Monday Nov 3</u>: One-page Critique of Case 3 from Groups 1A, 1B, 1C, 2A, 2B and 2C. Presentation and discussion of Case 3 Discussion of Tutorial 3 Course Review (Q&A)
Week 13: November 15 (Saturday)	Test 2 covers all topics. <u>Sat Nov 15 10am-12noon</u> (2 hours) Allowed to bring 1 A4 size double-sided sheet of notes and a financial calculator