

Session: Semester I, 2015/2016 (10 August 2015 – 14 November 2015)

Instructor

Daniel S P Ong Email: bizospd@nus.edu.sg <u>Sections</u> : B3 (Tuesdays, 8am-11am) B4 (Tuesdays, 2pm-5pm) <u>Classroom</u> : Biz2 #01-18	Office: Biz2 #02-18
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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 and practical examples will be used to illustrate the concepts taught in lectures.

Textbook and Reference

Main Textbook: (RWJ)
Corporate Finance
Asia Global edition, 2015
Ross, Westerfield, Jaffe, Lim, Tan and Wong
McGraw-Hill Education

Assessments Methods

Class Participation	10%
Tutorial Assignments (group basis)	10%
1 Case study and 2 Critiques (group basis)	25%
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. The group membership is the same as that for case study. The assignment will be discussed in class as indicated in the schedule.

Submission Policy

Tutorials, 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.

Academic Honesty and Plagiarism

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. **In case of any doubts, you should consult your instructor.**

Additional guidance is available at:

<http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct>

Online Module on Plagiarism:

<http://emodule.nus.edu.sg/ac/>

Schedule

Week	Topic and Readings
Week 1: August 11 (Tuesday)	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 18 (Tuesday)	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 13, 7, 23
Week 3: August 25 (Tuesday)	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 1 (Tuesday)	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 2</u>: Tutorial 1
Week 5: September 8 (Tuesday)	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 15 (Tuesday)</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 16</u>: Tutorial 2</p>
<p>Recess Week</p>	<p>From 19 September to 27 September</p> <p>Assignment due by <u>6pm Wed Sept 23</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: September 29 (Tuesday)</p>	<p>Presentation and discussion of Case 1</p> <p>Assignment due by <u>6pm Mon Sep 28</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 10 (Saturday)</p>	<p><u>Test 1</u> covers topics up to Tutorial 2</p> <p>Sat Oct 10, 2015 9:30am to 11:30am (2 hours)</p> <p>Allowed to bring 1 A4 size single-sided sheet of notes and a financial calculator</p>
<p>Week 9: October 13 (Tuesday)</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 14</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 20 (Tuesday)</p>	<p>Presentation and discussion of Case 2</p> <p>Assignment due by <u>6pm Mon Oct 19</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 21</u>: Tutorial 3</p>
<p>Week 11: October 27 (Tuesday)</p>	<p>Assignment due by <u>6pm Wed Oct 28</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 3 (Tuesday)	Assignment due by <u>6pm Monday Nov 2</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 14 (Saturday)	Test 2 covers all topics. Sat Nov 14 3:30pm-5:30pm (2 hours) Allowed to bring 1 A4 size double-sided sheet of notes and a financial calculator