

Session: Semester II, 2014/2015 (12 January 2015 – 18 April 2015)

Instructors

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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 will be used to illustrate the concepts taught in lectures.

Textbook and Reference

Main Textbook: (RWJLTW)

Corporate Finance
Asia Global Edition, 2015
Ross, Westerfield, Jaffe, Lim, Tan and Wong
McGraw-Hill

Assessments Methods

Class Participation and Pop Quizzes	15%
3 Tutorial Assignments (group basis)	9%
1 Case study and 2 Critiques (group basis)	26%
Test 1	20%
Test 2	30%
Total	<u>100%</u>

Please note the dates for Tests 1 and 2. There will be no make-up.

Limited Open Book Tests

No formula sheet will be provided in the tests. Students are allowed to bring in ONE (1) sheet (A4 size, double-sided) of notes. Only NUS approved calculators are allowed. The tests may consist of 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 typewritten, double-spacing, font 11 comprehensive report **not exceeding 15 pages** (the 15 pages include texts, tables and appendices) by the due date in both hard and soft copies. The soft copies will facilitate distribution of reports to the other 6 non-primary groups. The 6 non-primary groups are required to submit an A4 sized, double-sided, font 11, 1.5 spacing critique of ALL 3 reports in class before the case presentation. During the case presentation, the 3 groups with primary responsibility will be given 30 minutes each to present their analysis. All students are expected to actively participate in the case discussions.

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

Tutorial and Discussion

Students are expected to come prepared for the tutorial. 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. Based on the quality of the submissions, certain groups will be requested to present the tutorial answers in class.

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 by at least 20 percent.

Schedule

Week	Topic and Readings
Week 1:	Topic 1: Introduction and Overview of Risk & Return <ul style="list-style-type: none">• Common Stock Valuation• Review of portfolio theory• CAPM and APT• Risk, return, and cost of capital Readings: RWJLTW Chapter 1, 10, 11, 12, 13
Week 2:	Topic 2: Capital Budgeting <ul style="list-style-type: none">• Review of Payback, NPV, IRR, PI, etc• Sensitivity, scenario and break-even analysis• Real Options Readings: RWJLTW Chapter 6, 7
Week 3	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: RWJLTW Chapters 14, 20
Week 4	Topic 4: Capital Structure II <ul style="list-style-type: none">• Theories of capital structure• Tax effects Readings: RWJLTW Chapter 16 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?
Week 5	Topic 6: Capital Structure IV <ul style="list-style-type: none">• Interactions between Investments and Financing

	<ul style="list-style-type: none"> • Adjusted Present Value Approach • Flow to Equity Approach • WACC approach <p>Readings: RWJLTW Chapters 17, 18</p> <p>Assignment due by 12nn Friday Feb 13: Tutorial 1</p>
<p>Week 6 (CNY week – class as per normal)</p>	<p>Topic 7: 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: RWJLTW Chapter 29</p> <p>Presentation and discussion of Tutorial 1</p>
<p>Recess Week</p>	<p>from Feb 22- Mar 2</p> <p>Assignment due by 12nn Friday Feb 27: Tutorial 2</p>
<p>Week 7</p>	<p>Topic 8: Dividend Policy</p> <ul style="list-style-type: none"> • Is dividend policy irrelevant? • Share repurchase and dividend policy <p>Readings: RWJLTW Chapter 19</p> <p>Presentation and discussion of Tutorial 2</p> <p>Assignment due by 12nn Friday Mar 6: Case 1 (hard and soft copies).</p> <p>Instructor will email case reports to Groups 2A, 2B, 2C, 3A, 3B and 3C.</p>
<p>Week 8</p>	<p>Test 1 covers topics up to Tutorial 2. No make up for test.</p> <p>Saturday Mar 14, 10am-12nn</p> <p>Allowed to bring 1 A4 size SINGLE-sided sheet of notes and fin calculator</p>
<p>Week 9</p>	<p>Presentation and discussion of Case 1</p> <p>Critique (1 A4 size double-sided sheet, font 11, 1.5 spacing) due at beginning of class from Groups 2A, 2B, 2C, 3A, 3B and 3C.</p> <p>Assignment due by 12nn Friday Mar 20: Tutorial 3</p>
<p>Week 10</p>	<p>Presentation and discussion of Tutorial 3</p> <p>Assignment due by 12nn Friday Mar 27: Case 2 (hard and soft copies).</p> <p>Instructor will email case reports to Groups 1A, 1B, 1C, 3A, 3B and 3C.</p>

Week 11	Presentation and discussion of Case 2 Critique (1 A4 size double-sided sheet, font 11, 1.5 spacing) due at beginning of class from Groups 1A, 1B, 1C, 3A, 3B and 3C. Assignment due by 12nn Friday Apr 3: Case 3 (hard and soft copies). Instructor will email case reports to Groups 1A, 1B, 1C, 2A, 2B and 2C.
Week 12	Presentation and discussion of Case 3 Critique (1 A4 size double-sided sheet, font 11, 1.5 spacing) due at beginning of class from Groups 1A, 1B, 1C, 2A, 2B and 2C.
Week 13	Test 2 covers all topics. No make up for test. Saturday Apr 18, 10am-12pm Allowed to bring 1 A4 size DOUBLE-sided sheet of notes and fin calculator