

Session: Semester II, 2016/2017 (9 January 2017 – 15 April 2017)

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Course Objectives

This module provides a theoretical and practical treatment of corporate financial theory for students who have completed an introductory course in finance. Topics covered in this course include: an overview of financial management; capital budgeting and valuing real assets and real options; risk and return of assets; capital structure, mergers and acquisitions; and dividend policy.

Textbook and Reference



Corporate Finance
 Asia Global Edition, 2015
 Ross, Westerfield, Jaffe, Lim, Tan and Wong
 McGraw-Hill, ISBN 978-1-259-01183-2

Prices for 2017 (All prices with GST)

- 1) Connect with Ebook + Physical Book - **\$86.90** (after Co-op discount: \$78.20)
- 2) Physical Book alone - **\$88.95** (After Co-op Discount: \$80.05)
- 3) Connect Alone - **\$21.40** (Purchase through our website by students)
- 4) Connect + Ebook - **\$49.17** (Purchase through our website)

Additional Info: CONNECT, and CONNECT + Ebook have 1 semester access

Online Store:

<http://www.mheducation.com.sg/9789814575072-asia-connect-plus-online-access-corporate-finance-asia-global-edition-group>

Assessments Methods

Class Participation	6%
Quizzes	6%
3 Tutorial Assignments (group basis)	12%
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 1 A4 size SINGLE-sided sheet of notes for midterm and 1 A4 size DOUBLE-sided sheet of notes for final. 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 and the **DISCUSSION FORUM** on IVLE.

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 by **Monday 11am in the week of 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. In order to be fair to all groups, **NO CONSULTATION will be provided for CASES**.

Tutorial and Discussion

Tutorials are done on a group basis. 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. **Solution key will be collated from the tutorial submissions** and uploaded on IVLE.

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.

Academic Honesty & 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: Practice on Connect R&R 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: Practice on Connect R&R 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 Practices on Connect Capital Budgeting 1 and 2	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 Practice on Connect Capital Structure 1	Capital Structure II <ul style="list-style-type: none"> • Theories of capital structure • Tax effects Readings: RWJLTW Chapter 16 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 Practice on Connect Capital Structure 2	Capital Structure IV <ul style="list-style-type: none"> • Interactions between Investments and Financing • Adjusted Present Value Approach • Flow to Equity Approach

	<ul style="list-style-type: none"> • WACC approach <p>Readings: RWJLTW Chapters 17, 18</p> <p>Assignment due by 11am Thursday Feb 9: Tutorial 1</p>
<p>Week 6</p> <p>Practice on Connect</p> <p>Mergers and Acquisitions</p>	<p>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>Recess Week</p>	<p>from Feb 18- Feb 26</p> <p>Assignment due by 11am Thursday Feb 23: Tutorial 2</p>
<p>Week 7</p> <p>Quiz 1</p> <p>Bring laptop</p> <p>Practice on Connect</p> <p>Dividend Policy</p>	<p>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>Assignment due by 11am Thursday Mar 2: Case 1 (hard and soft copies). 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.</p> <p>Saturday Mar 11 at LT16 and LT17 (will advise on timing)</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 by 11am Monday Mar 13 from Groups 2A, 2B, 2C, 3A, 3B and 3C.</p> <p>Assignment due by 11am Thursday Mar 16: Tutorial 3</p>
<p>Week 10</p>	<p>Midterm Feedback</p> <p>Assignment due by 11am Thursday Mar 23: Case 2 (hard and soft copies). Instructor will email case reports to Groups 1A, 1B, 1C, 3A, 3B and 3C.</p>
<p>Week 11</p>	<p>Presentation and discussion of Case 2</p> <p>Critique (1 A4 size double-sided sheet, font 11, 1.5 spacing) due by 11am Monday Mar 27 from Groups 1A, 1B, 1C, 3A, 3B and 3C.</p> <p>Assignment due by 11am Thursday Mar 30: Case 3 (hard and soft copies). Instructor will email case reports to Groups 1A, 1B, 1C, 2A, 2B and 2C.</p>

Week 12 Quiz 2 Bring laptop	Presentation and discussion of Case 3 Critique (1 A4 size double-sided sheet, font 11, 1.5 spacing) due by 11am Monday Apr 3 from Groups 1A, 1B, 1C, 2A, 2B and 2C.
Week 13	Test 2 covers all topics. Wed Apr 12 at LT16 and LT17 (will advise on timing) Allowed to bring 1 A4 size DOUBLE-sided sheet of notes and fin calculator