

Session: Semester II, 2017/2018 (15 January 2018 – 12 May 2018)

Instructor

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Course Objectives

This course aims to introduce fundamental concepts and analytical knowledge of Corporate Finance. Cases and practical examples will be used to illustrate the concepts taught. By the end of the module, students should be able to:

- appraise investments and conduct project analysis;
- apply the valuation methods (DCF, DDM, and Relative Valuation) to evaluate real-life companies for capital raising and possible acquisition;
- analyze the impact of capital structure on the cost of capital and project value;
- understand capital structure decisions and payout policies.

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 and Discussion Forum	9%
Tutorial Assignments (group basis)	15%
1 Case study (group basis)	20%
2 Critiques (group basis)	6%
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. For Test 1, students are allowed to bring in ONE PAGE (A4 size, one-sided) of notes. For Test 2, students are allowed to bring in ONE SHEET (A4 size, double-sided) of notes (i.e. 2 pages). Only NUS approved (non-programmable) calculators are allowed. Please consult instructor if you are not sure. 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, on A4 size paper with double-spacing and font 11. It is due by **5pm on Thursday** 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, one-sided, font 11, double spacing) and both **hard and soft** copies must be submitted by **5pm on Monday** of the week after case reports have been submitted. 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 made **available TWO weeks before the due date** and will be discussed in class as indicated in the schedule.

Submission Policy

Tutorials, case reports and critiques are done on a group-basis. Both soft and 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: January 15	<p>Topic 1: Introduction</p> <ul style="list-style-type: none"> • Course Overview • Corporation and Agency Issues • Review of Risk and Return <p>Readings: RWJ Chapter 1, 10, 11, 12</p>
Week 2: January 22	<p>Topic 2: Capital Budgeting</p> <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 <p>Readings: RWJ Chapter 13, 7, 23</p>
Week 3: January 29	<p>Topic 3: Capital Structure I</p> <ul style="list-style-type: none"> • Efficient Market Hypothesis • Raising capital • Issuing securities • Venture capital and IPO • Rights issue <p>Readings: RWJ Chapters 14, 20</p>
Week 4: February 5	<p>Topic 4: Capital Structure II</p> <ul style="list-style-type: none"> • Theories of capital structure • Tax effects <p>Readings: RWJ Chapter 16</p> <p>Assignment due by <u>5pm Thu</u>: Tutorial 1 (soft and hard copies)</p>
Week 5: February 12	<p>Topic 5: Capital Structure III</p> <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 <p>Readings: RWJ Chapters 17, 18</p>

<p>Week 6: February 19</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>Assignment due by <u>5pm Thu</u>: Tutorial 2 (soft and hard copies)</p> <p>Discussion of Tutorial 1</p>
<p>Recess Week</p>	<p>From 24 Feb 2018 to 4 Mar 2018</p> <p>Assignment due by <u>5pm Thu</u>: Case 1 (soft and hard copies)</p>
<p>Week 7: March 5</p>	<p>Presentation and discussion of Case 1</p> <p>Assignment due by <u>5pm Mon</u>: One-page Critique of Case 1 from Groups 2A, 2B, 2C, 3A, 3B and 3C (soft and hard copies)</p> <p>Discussion of Tutorial 2</p>
<p>Week 8: March 12</p>	<p><u>Test 1</u> covers topics up to Tutorial 2.</p> <p>Sat Mar 17, 2018: 9am to 11am (2 hours)</p> <p>Allowed to bring 1 A4 size single-sided sheet of notes and a financial calculator.</p>
<p>Week 9: March 19</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>5pm Thu</u>: Case 2 (soft and hard copies)</p>
<p>Week 10: March 26</p>	<p>Presentation and discussion of Case 2</p> <p>Assignment due by <u>5pm Mon</u>: One-page Critique of Case 2 from Groups 1A, 1B, 1C, 3A, 3B and 3C (soft and hard copies)</p> <p>Assignment due by <u>5pm Thu</u>: Tutorial 3 (soft and hard copies)</p>
<p>Week 11: April 2</p>	<p>Assignment due by <u>5pm Thu</u>: Case 3 (soft and hard copies)</p> <p>Discussion of Tutorial 3</p>

Week 12: April 9	Assignment due by <u>5pm Monday</u>: One-page Critique of Case 3 from Groups 1A, 1B, 1C, 2A, 2B and 2C (soft and hard copies) <u>Test 2</u> covers all topics. Sat Apr 14, 2018: 9am to 11am (2 hours) Allowed to bring 1 A4 size double-sided sheet of notes and a financial calculator.
Week 13: April 16	Presentation and discussion of Case 3