

FIN3701A CORPORATE FINANCE

Session: Semester II, 2022/2023 (9 Jan 2023 – 14 Apr 2023)

Sections and Venues

Thursday 12-3 pm HSS 4-3

Thursday 3-6 pm HSS 4-1

Friday 12 pm Biz1 02-03

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

I will be using slides for presentation. Copies of the presentation slides used in class will be posted on Canvas. The slides will be PDF files. For those of you who wish to use a textbook in addition to the slides, I recommend the following text books based on which the notes are prepared:

Primary Text Book

Applied Corporate Finance (4th Edition)

Aswath Damodaran

Wiley

Secondary Text Book

Corporate Finance

International Student Edition, 2019 (12th Edition)

Ross, Westerfield, Jaffe, and Jordan

McGraw-Hill Education

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Semester I 2022/2023

<u>Assessments Methods</u>	
class participation	10%
Case Studies	25%
midterm test	20%
final exam	45%
total	100%

Test

Many of the questions require the use of financial calculators, which are allowed. Tests and the Final Exam will be administered on Examsoft/Examplify. If you are not familiar with this software, please check on the NUS Wiki pages on this.

All tests have to be taken in-person on campus and cannot be taken remotely.

Please note the dates for the test as given below.

Mid Term Test: Week 8, Saturday March 11 2023, 1 pm, Venue: LT16/17.

Final Exam: Wednesday 03 May 2023, 1 pm as per Registrar office schedule and venue to be decided.

Exceptions for a make up test or exam will be granted according to NUS policies in this matter and will require formal verification of the reason for absence by the BBA Office. Note that the set of circumstances for which a make up is granted is very limited.

Class Arrangement

Classes will be delivered in a normal face-to-face (F2F) classroom setting. It is your responsibility to get all missing notes or materials.

There will need to be one make up class on account of a holiday on Friday April 7 which will be held on Saturday April 1 at 3 pm. Those students who have a clash with this time (due to another test or have any other valid absence reason) are excused from attending. This make up lecture will be recorded on Zoom and will be made available to the students who had a valid absence reason. If there is a case discussion on April 1, the policy for missed assessments will apply.

Class Participation Grade

Class Participation is determined by attendance and by actual participation in class (5% for attendance and 5% based on actual participation in class). 1% will be deducted from the attendance grade for each absence unless there are mitigating circumstances (medical reasons, representing Singapore or NUS in a national or international competition, job or internship interview). Any other reasons for absence will be considered after consultation with the BBA office.

If you are absent for more than 6 lectures or more without any mitigating reasons, you will not be allowed to sit for the tests and exams and it will be presumed that you have not done any

group work, regardless of your group membership. Thus, you will definitely fail the course if you fail to attend at least 7 weeks of classes.

Note that the default grade for the second 5% will be 0 and it is the student's responsibility to get name cards in every class as well as participating actively in order to secure this grade. Asking questions by email or meeting me at the end of class or outside class hours for doubts **DOES NOT COUNT** as class participation. There will be no appeals entertained on this component and I will not respond to emails asking for an explanation of the grades for this sub-component.

Cases & Groups

We will form groups of approximately 4-5 students after the add-drop period. Those who have a preference for smaller groups can request for this, however groups larger than 5 will not, in general, be allowed. The only exception for this is if students drop the course in the mid-term and some groups become too small. Thus, group composition may change after the mid-term.

There will be between 4 to 5 cases that will start from Week 4 of the class. Cases will be taught using a flipped class format. Each case needs to be read by you in advance of the class and there will be a pre-case submission due before the class in which the case is being discussed. There will be additional questions which will be assigned and solved in class on a group basis. 30% of each case's grade will be determined by the pre-case submission and 70% of the grade will be determined by in class work.

You can do the pre-case submission individually, in small sub-groups (example two members) or your group as a whole. Please write the names, matric number and group number on the pre-case submission regardless of whether you do it individually or collectively. The grade for each pre-case submission will be based only on the names that are listed on the submission.

In-class work will be done and graded on a group basis only.

In case you are absent from a class where we discuss a case but have a mitigating excuse as mentioned above and you have submitted your pre-case submission, you will be required to schedule a make up assignment with me for the 70% sub-component of the case grade.

There will be one case each on cost of capital, capital budgeting, capital structure and valuation. If we discuss a fifth case, it will be either in dividend policy or M&A. One or two cases may be in the form of a project – where I assign a company and ask you use the principles learnt in class to analyse this.

It is in your interest to seriously read and prepare for the case as either the mid-term or the part of final exam will have a large part of the evaluation in a case format. Thus, only if you put serious individual effort into the case, you will be able to perform well in this evaluation.

Communication

The preferred way to communicate with me is by email. Consultation can be done on walk in basis if I am available or by appointment and can be in person or via zoom depending on mutual convenience.

I usually respond by 24 hours to most emails. If you don't hear back by this time or your request is urgent, please feel free to call my cell at +65 9009-2385.

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/osa/resources/code-of-student-conduct>

Course Content:

1. Introduction to Corporate Finance
 - Separation of ownership and control
 - Agency costs
 - Objective of the firm

2. Risk and Return
 - CAPM
 - Estimating cost of equity and cost of debt
 - Risk, return and cost of equity

3. Capital Budgeting
 - NPV, IRR, Payback
 - Decision trees
 - Sensitivity analysis
 - Scenario analysis
 - Break-even analysis
 - Real options

4. Capital Structure
 - Theories of capital structure
 - Tax effects
 - Limits to the use of debt
 - Costs of financial distress
 - Is there an optimal capital structure?

5. Dividend Policy
 - Is dividend policy relevant?
 - Share repurchase and dividend policy

Other topics as per time availability.