

FIN3701B CORPORATE FINANCE

DRAFT

Last Updated: 25 November 2022

Session: Semester II, 2022/2023 (9 Jan 2023 – 6 May 2023)

Instructor

Dr. Nick Orlic Email: n.orlic@nus.edu.sg Office: Biz 2 #03-05

Consultation: appointment by email. Consultations to be held via Zoom.

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 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 prior to the relevant lecture. The lecture slides are self-contained. Thus, no textbook is required. For those of you who wish to use a textbook in addition to the slides, I recommend:

Main Textbook: (RWJJ)

Corporate Finance
International Student Edition, 2019 (12th Edition)
Ross, Westerfield, Jaffe, and Jordan
McGraw-Hill Education

<u>Assessments Methods</u>	
Class Participation	10%
Case Studies (group basis)	24%
Midterm Test	20%
Final Exam	46%
Total	100%

Midterm/Final

Many of the questions require the use of financial calculators, which are allowed. Please consult instructor if you are not sure about the type of financial calculator required/allowed. The tests may consist of multiple-choice questions, quantitative and open-ended questions that examine the total understanding of the student with respect to the course materials. Details on how the tests are conducted will be announced later in the semester.

Please note the dates for the tests – there will be no makeups. Students not participating in a test will receive a zero mark for that test. Exceptions will only be granted according to NUS policies and will require formal verification of the reason for absence by the BBA Office. In such exceptional cases, a substitute form of assessment may be given.

Midterm: [TBD]

Final Exam: [TBD]

Class Arrangement

Classes will, unless otherwise advised, be delivered in a normal face-to-face (F2F) classroom setting in accordance with latest School policy.

Students are responsible for all missed work, regardless of the reason for absence. It is also the absentee's responsibility to get all missing notes or materials.

Class Participation

Students are expected to be actively involved in class discussions. Credit will only be granted to those who can contribute towards class discussions and the discussion forum. The case discussion by the non-presenting group members will also be an important part of the class participation grade. Note that this will be evaluated on an individual basis.

Cases

Case assignment and guidelines will be made available around two weeks before the due date. For each case, roughly 1/3rd of the class will need to present their results and analysis.

At the end of the term, you can assign a peer grade to other members of the same group by filling out a form. Filling out the form is **optional**, i.e., you don't need to do it. If you don't fill this form, it will be assumed that you allocate your peer grades equally to all your group members. Peer grading might affect group members' grades. Due to differences in peer grading, a given group member may obtain different grades from other members in the same group.

Tutorial and Discussion

Several tutorials with their answers will be made available during the semester. Please note that you **don't need to submit** your analysis. However, please work on the tutorials during the semester.

Submission Policy

Case reports, presentations, and critiques are done on a group-basis. They must reach the instructor via Canvas by the due date and time. Late submissions will be penalized.

Communication

The preferred way to communicate with me is by email. All consultations would be held via Zoom.

Students are encouraged to send me any comments and suggestions that may help the class to learn better.

Students are expected to check Canvas weekly for announcements.

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
 - The Firm and financial markets

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

3. Capital Budgeting
 - NPV analysis
 - DCF analysis
 - Sensitivity analysis
 - Scenario analysis
 - Break-even analysis
 - Decision trees
 - Real options
 - Relative valuation

4. Capital Structure
 - Raising capital
 - IPO
 - Rights issue
 - 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

6. Mergers and Acquisitions
 - Merger motives
 - Types of acquisitions
 - Value of corporate control
 - Merger valuations
 - Empirical evidence

Schedule **[TBD]**