

## **FIN3701A CORPORATE FINANCE**

Session: Semester I, 2022/2023 (14 August 2023 – 17 November 2023)

### **Instructor**

Professor Allaudeen Hameed Email: Allaudeen@nus.edu.sg	Office: MRB #07-74 Tel: 6516-3034
---	--------------------------------------

### **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 course, 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: (RWJJ)***

Corporate Finance  
Thirteenth Edition, 2023  
Ross, Westerfield, Jaffe, and Jordan  
ISBN 978-1-260-77238-8  
McGraw-Hill Education

### **Assessments Methods**

Class Participation	10%
Tutorial Discussions (group basis)	5%
1 Case study (group basis)	20%
2 Critiques (group basis)	10%
Test 1 (October, 2023)	25%
Test 2 (November 2023)	30%
Total	100%

**Please note the date for the Tests once finalized. There will be no make-up.**

### **Test**

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 test 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.

## **FIN3701A CORPORATE FINANCE**

### **Semester I 2023/2024**

Tests and the Final Exam will be administered on Examsoft/Examplify. Please familiarize yourself with the software if you have not used it already. All tests are taken in-person on campus.

### **Class Participation**

Students are expected to have done pre-class readings and be actively involved in class discussions. Extra credit will be given to those who also initiate class discussions on topics covered in class.

### **Case Assignment**

Each class will be divided into (up to) 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 10 pages** including texts, tables and appendices by the due date. The report must be typewritten on A4 size paper with double-spacing and font size 11. It is due by **12nn on Monday** of the week before the case presentation or as indicated in the course schedule below. The report will be made available to the class.

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, font 11, double spacing) and must be submitted by **12nn on Friday** of the week when the case report is made available to all in the class. 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 Discussion**

Tutorial assignments (to be done in groups) are for classroom discussions only and NOT for submission. All students are expected to contribute to the tutorial discussions. Each tutorial consists of a number of questions and/or mini-cases related to topics that are covered in class. These questions may require analysis of financial data. The group membership is the same as that for case study. Each group may be asked to present or lead discussion for one of the questions. The tutorials will be discussed in class on dates indicated on the schedule below.

### **Submission Policy**

Case reports and critiques are done on a group-basis. They 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/osa/resources/code-of-student-conduct>

**Course Content:**

1. Introduction to Corporate Finance
  - Separation of ownership and control
  - Agency costs
  - Firm and the financial markets
2. Risk and Return
  - Review of portfolio theory
  - CAPM and APT
  - Estimating cost of equity and cost of debt
  - Risk, return and cost of equity
3. Capital Budgeting
  - Decision trees
  - Sensitivity analysis
  - Scenario analysis
  - Break-even analysis
  - Real options
4. Capital Structure
  - Efficient market hypothesis
  - Raising capital
  - Venture capital and 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. Mergers and Acquisitions
  - Merger motives
  - Types of acquisitions
  - Value of corporate control
  - Merger valuations
  - Empirical evidence
6. Dividend Policy
  - Is dividend policy relevant?
  - Share repurchase and dividend policy

**Schedule**

<b>Week</b>	<b>Topic and Readings</b>
<b>Week 1:</b> <b>August 14</b>	<b>Topic 1: Introduction</b> <ul style="list-style-type: none"><li>• <b>Course Overview</b></li><li>• <b>Corporation and Agency Issues</b></li><li>• <b>Review of Risk and Return</b></li><li>• <b>Readings: RWJ Chapter 1, 10, 11, 12</b></li></ul>
<b>Week 2:</b> <b>August 21</b>	<b>Topic 2: Capital Budgeting</b> <ul style="list-style-type: none"><li>• <b>Review of Portfolio Theory and CAPM</b></li><li>• <b>Risk, return, and cost of capital</b></li><li>• <b>Sensitivity, scenario and break-even analysis</b></li><li>• <b>Real Options</b></li><li>• <b>Readings: RWJ Chapter 6,7,13, 23</b></li></ul>
<b>Week 3:</b> <b>August 28</b>	<b>Topic 3: Capital Structure I</b> <ul style="list-style-type: none"><li>• <b>Raising capital</b></li><li>• <b>Issuing securities</b></li><li>• <b>Venture capital and IPO</b></li><li>• <b>Rights issue</b></li><li>• <b>Readings: RWJ Chapters 14, 20</b></li></ul>
<b>Week 4:</b> <b>September 4</b>	<b>Topic 4: Capital Structure II</b> <ul style="list-style-type: none"><li>• <b>Theories of capital structure</b></li><li>• <b>Tax effects</b></li><li>• <b>Readings: RWJ Chapter 16</b></li></ul> <b>Discussion of Tutorial 1</b>
<b>Week 5:</b> <b>September 11</b>	<b>Topic 5: Capital Structure III</b> <ul style="list-style-type: none"><li>• <b>Limits to the use of debt</b></li><li>• <b>Costs of financial distress</b></li><li>• <b>Agency costs</b></li><li>• <b>Is there an optimal capital structure?</b></li><li>• <b>Readings: RWJ Chapters 17, 18</b></li></ul>

**FIN3701A CORPORATE FINANCE**  
**Semester I 2023/2024**

<b>Week 6:</b> <b>September 18</b>	<b>Topic 6: Mergers and Acquisitions</b> <ul style="list-style-type: none"> <li>• Merger motives</li> <li>• Types of acquisitions</li> <li>• Value of corporate control</li> <li>• Merger valuations</li> <li>• Empirical evidence</li> <li>• Readings: RWJ Chapter 29</li> </ul> <p>Case 1 will be available by 12nn on Monday September 11.</p>
<b>Recess Week</b>	<b>from September 23 to October 1</b>
<b>Week 7:</b> <b>October 2</b>	<b>Topic 7: Dividend Policy</b> <ul style="list-style-type: none"> <li>• Is dividend policy irrelevant?</li> <li>• Share repurchase and dividend policy</li> <li>• Readings: RWJ Chapter 19</li> </ul> <p>Discussion of Tutorial 2</p> <p>Assignment due by <b><u>12nn Monday September 25</u></b>: Case 1. Case reports will be made available to the whole class.</p> <p>Assignment due by <b><u>12nn Friday September 29</u></b>: One-page Critique of Case 1 from all non-presenting student groups.</p> <p>Case 2 will be available by 12nn on Monday October 2.</p>
<b>Week 8:</b> <b>October 9</b>	<b>Test 1: Saturday October 14, 2023, 4pm to 5:30pm (to be confirmed)</b>
<b>Week 9:</b> <b>October 16</b>	<b>Presentation and discussion of Case 1</b> <p>Case 3 will be available by 12nn on Monday October 16.</p>
<b>Week 10:</b> <b>October 23</b>	<p>Assignment due by <b><u>12nn Monday Oct 16</u></b>: Case 2. Case reports will be made available to the whole class.</p> <p>Assignment due by <b><u>12nn Friday Oct 20</u></b>: One-page Critique of Case 2 from all non-presenting student groups.</p>

	<b>Discussion of Tutorial 3</b>
<b>Week 11: October 30</b>	<b>Presentation and discussion of Case 2</b> <b>Assignment due by <u>12nn Monday Oct 30</u>: Case 3. Case reports will be made available to the whole class.</b> <b>Assignment due by <u>12nn Friday Nov 3</u>: One-page Critique of Case 3 from all non-presenting student groups.</b>
<b>Week 12: November 6</b>	<b>Test will cover all topics. There will be no regular classes this week (NUS Well-Being Day is Nov 10, 2023).</b> <b>Test Date: Saturday, November 11, 2023 (4pm to 6pm) (to be confirmed)</b>
<b>Week 13: November 13</b>	<b>Presentation and discussion of Case 3</b>