

FIN3701A CORPORATE FINANCE

Session: Semester I, 2024/2025 (12 August 2024 – 15 November 2024)

Instructor

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Teaching Assistant

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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 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, 2024)	25%
Test 2 (November 2024)	30%
Total	<u>100%</u>

Please note the date for the Tests will be confirmed when semester starts. There will be no make-up.

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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.

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 to be 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 discussions 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

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Schedule

Week	Topic and Readings
Week 1: August 12	Topic 1: Introduction <ul style="list-style-type: none">• Course Overview• Corporation and Agency Issues• Review of Risk and Return• Readings: RWJ Chapter 1, 10, 11, 12
Week 2: August 19	Topic 2: Capital Budgeting <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• Readings: RWJ Chapter 6,7,13, 23
Week 3: August 26	Topic 3: Capital Structure I <ul style="list-style-type: none">• Raising capital• Issuing securities• Venture capital and IPO• Rights issue• Readings: RWJ Chapters 14, 20
Week 4: September 2	Topic 4: Capital Structure II <ul style="list-style-type: none">• Theories of capital structure• Tax effects• Readings: RWJ Chapter 16 Tutorial Discussions
Week 5: September 9	Topic 5: 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?• Readings: RWJ Chapters 17, 18

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Week 6: September 16	Topic 6: Mergers and Acquisitions <ul style="list-style-type: none"> • Merger motives • Types of acquisitions • Value of corporate control • Merger valuations • Empirical evidence • Readings: RWJ Chapter 29
Recess Week	from September 23 to September 28
Week 7: September 30	Test 1 date: Saturday October 5, 2024 (tentative)
Week 8: October 7	Topic 7: Dividend Policy <ul style="list-style-type: none"> • Is dividend policy irrelevant? • Share repurchase and dividend policy • Readings: RWJ Chapter 19
Week 9: October 14	Case Presentations Tutorial discussions
Week 10: October 21	Case Presentations Tutorial discussions
Week 11: October 28	There will be no regular classes this week (NUS Well-Being Day is November 1, 2024).
Week 12: November 4	Test 2 will cover all topics. Test 2 Date: Saturday, November 9, 2024 (tentative)
Week 13: November 11	Case Presentations