

**Financial Management**  
**(IM515 E)**  
**Fall 2012**  
Hae Jin Chung, Kwangwoo Park  
KAIST College of Business

Office: S430(Tel: 958-3625) /S232 (Tel:958-3540)  
E-mail: [hjchung@business.kaist.ac.kr](mailto:hjchung@business.kaist.ac.kr) // [kpark3@kaist.ac.kr](mailto:kpark3@kaist.ac.kr)  
Office Hours: TBA  
TA: TBA

**Course Description**

This course introduces the major topics and issues in modern corporate finance, which include capital budgeting (investment valuation), real options, capital structure, payout policy, and issues in corporate control and governance. The purpose of this course is to understand how firms decide what real assets to invest and how they raise necessary money for those investments. The problem sets and group projects are designed to develop necessary skills for analyzing a firm's investment and financing decisions that you can apply to solve practical problems in financial management.

**Textbook**

**Text:** Corporate Finance, 9<sup>th</sup> Edition, by Stephen A. Ross, Randolph W. Westerfield, and Jeffrey Jaffe, McGraw-Hill Irwin, 2010 (RWJ)

**Grading:** There are 100 total points in the class and they are distributed as follows:

3 Quizzes	60 points (20 points each)
4 Case Analysis	20 points (5 points each)
1 Case Presentation	10 points
2 Problem sets	10 points (5 points each)
Extra Credit( Participation, etc.)	5 points (max)

**Quiz:** We will have 3 quizzes throughout the semester and each quiz is worth 20 points. There are no make-up quizzes.

**Case Analysis:** Students are required to solve three to five case analysis questions for each case study totaling **4 reports** (excluding Case#1 and the case your team is presenting) with a team of 2~3 persons. The length of the report is no more than double-spaced 4 pages excluding the cover page. By analyzing a case prior to class, students will be facilitated to

active discussions while they are in class. Students work together in writing case analysis using the related theories and concepts covered during the semester. The typed case analysis should be submitted at the beginning of each class. Your answers should be entirely your own team and not the results of information sharing with other teams. Most case study questions have no 'one' correct answer, but it seems to be easy to find an obvious wrong answer, so be prudent and creative as possible.

**Case Presentation:** Students of the same case analysis team are also required to present an overview for one of 6 cases (excluding Case#1) to be discussed in class using PowerPoint presentation slides. The materials should be prepared for a 15 minute presentation (Around 15 slides).

**Problem sets:** There will be 2 problem sets in the first half to prepare you for the first two quizzes. Practice, and become familiar with the techniques used and more importantly, with logical thinking and rational decision-making process behind those techniques. Working together on these problem sets is allowed, but everyone should submit one's own work. No late submissions will be graded. Problem sets are graded as check+ (for most of the cases you will get check+), check (for incomplete works), or 0 (for late/no submissions or for works merely done).

**Class Attendance and Extra Credit:** Class attendance and participation is crucial for the success of a class with active case discussion. In order not to fail, students are required to have at least 80% attendance rate. Those who expect not to meet 80% attendance rate should provide me with documents with legitimate reasons prior to missing the class. Instructors may give extra credits up to 5 points depending upon students' efforts in class.

**Academic Dishonesty:** We follow all KAIST procedures on academic dishonesty. Students guilty of cheating in quizzes or showing plagiarism in writing reports will receive an F in the course and whatever additional disciplinary action the University imposes.

## **Assignments: (TENTATIVE, subject to change)**

### **Week 1: Introduction**

Course Introduction: Professor Hae Jin Chung

Reading: RWJ (Ch. 1&2)

### **Week 2: Financial Statement Analysis**

Reading: RWJ (Ch. 2&3)

### **Week 3: DCF Valuation**

Reading: RWJ (Ch. 4)

**No class on Sep 20 (Make-up class on Oct 20)**

### **Week 4: Valuation of Financial Securities**

Reading: RWJ (Ch. 8&9)

**Problem set #1 (Sep 27), No class on Sep 22 (Holiday)**

### **Week 5: Investment Rules**

Reading: RWJ (Ch. 5)

**Quiz #1 (Oct 4)**

### **Week 6: Capital Investment Decisions**

Reading: RWJ (Ch. 6)

### **Week 7: Risk Analysis, Real Options, and Capital Budgeting**

Reading: RWJ (Ch. 7)

**Problem set #2 (Oct 18)**

### **Week 8: Risk Analysis, Real Options, and Capital Budgeting (Continued)**

Reading: RWJ (Ch. 7)

**Quiz #2 (Oct 25), We have a class on Oct 20.**

### **Week 9 : Raising Capital (Starting on Oct 27)**

Course Introduction: Professor Kwangwoo Park

Reading : RWJ (Ch. 20)

### **Week 10 : Initial Public Offering (IPO)**

Reading : RWJ (Ch. 20) and G&T (Ch. 3)

Case 1: Korea First Bank (A) (Product Number: HBS 9-701-022)  
& Shinsei Bank (A) (Product Number: HBS 9-302-036)

### **Week 11 : Capital Structure and Financial Policy**

Case 2: Preparing for the Google IPO: A Revolution in the Making?  
(Product Number: IMD185)

Reading: RWJ (Ch. 16 & 17)

**Week 12 : Dividend Payout Policy and Share Repurchase Program**

Case 3: Debt Policy at UST, Inc. (Product Number: HBS 9-200-069)

Reading: RWJ (Ch. 19)

**Quiz #3**

**Week 13 : Corporate Governance and Shareholder Activism**

Case 4: Dividend Policy at Linear Technology (Product Number: HBS 9-204-066)

Reading: G&T (Ch. 18 & 19)

**Week 14 : Mergers and Acquisitions**

Case 5: California PERS (A) (Product Number: HBS 9-291-045)

California PERS (B) (Product Number: HBS 9-201-091))

Reading: RWJ (Ch. 29)

**Week 15 : Financial Distress**

Case 6 : Shinhan Financial Group (Product Number: HBS 9-305-075)

Reading: RWJ (Ch. 29) and Instructor's Note

**Week 16: Case Presentation**

Case 7: KAMCO and the Cross-Border Securitization of Korean Non-Performing Loans Publication (Product Number: HBS 9-205-037)