

KAIST
Executive MBA
Corporate Finance
EMB 561

Fall 2012

Professor: Inmoo Lee

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WWW site for EMB 561: <http://www.business.kaist.ac.kr/faculty/inmoo/teaching.htm>
Office hour: 8:30 – 9:00 a.m. on Saturdays or by appointments

Hours: 9:00 – 12:00 a.m. on Saturdays

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COURSE OBJECTIVES

This course is designed to help students develop the conceptual foundations of finance theories, and understand the basic tools used for making optimal financial decisions. The issues addressed in this course include time value of money, discounted cash flows analysis, relation between risk and return, cost of capital, capital budgeting analysis, capital structure, how to raise capital, Economic Value Added (EVA) and options. These are essential topics that need to be understood by managers to make informative decisions on major capital spending decisions.

Required Materials

- 1) Textbook: Corporate Finance: Core Principles and Applications by Ross, Westerfield, Jaffe and Jordan (3rd edition, 2011, McGraw-Hill)
- 2) Various materials available on the course web site.

Contact Information

Everyone is strongly encouraged to contact me whenever there are questions on any topics related to the course. You can always call me at my office (958-3441). However, the best way to communicate is through email. My email address is inmool@business.kaist.ac.kr

Grading Policy: The grade will be based on the following;

	<u>Contribution to the final grade</u>
2 Exams	40 %
5 Quizzes	10%
3 Group Assignments	15 %
Final Project & Presentations	25 %
Participation and Attendance**	10%

** F will be given if you miss more than 4 days.

Exams

There will be two exams and each will cover 20% of the final grade. Students are responsible for the topics covered during the class. For the second exam, students are responsible for only those topics covered after the first exam.

Quizzes

There will be five quizzes and they will cover 10% of the final grade. Each quiz will cover the materials covered in the previous class and will be either multiple-choice problems or O/X questions. The quiz will start at the beginning of the class and will take less than 10 minutes to finish each quiz. For those who are late for the class or miss the class when quizzes are taken, **the score will be zero** for the quiz taken on that date **if it happens more than once**. For those who miss the quiz only once, the average of other four quizzes' scores will be assigned as the score of the missed quiz. **No make-up quiz will be arranged.**

Group Assignments

Everyone will be asked to join a group of 4 (or less) students on the first day of the class. Each group is responsible for the submission of a group report on the assignment and for the preparation of a presentation during the class. Assignments should be submitted through an email by **7:00 a.m.** on the due date. **Groups submitting an assignment after a due time will receive a partial or zero score depending on the time submitted.** For a late submission, 20% of the score will be deducted for each one-hour-bracket after 7:00 a.m. For example, if an assignment is submitted at 9:10 a.m., then 60% ($= 20\% \times 3$) of the score will be deducted from the graded score (i.e., if the score without a penalty is 90, then the final score will be $36 (= (1 - 60\%) \times 90)$). This means that **an assignment submitted after 12:00 p.m. will receive a zero score.**

Final Group Report

Each group is responsible for choosing a public company (i.e., a KSE-listed or KOSDAQ-registered firm) and writing a thorough report on the firm's various corporate finance issues covered in the classroom. The issues covered in a report should include: 1) a brief summary of the firm's background information; 2) costs of equity and bond estimates; 3) various risk measures; 4) capital structure and dividend policies compared to those policies of others in the same industry; 5) detailed discussion on at least one financing case of the firm; and 6) detailed discussion on at least one corporate event (e.g., IPO, M&A, or analysis of an interesting major investment project). A discussion of any other interesting corporate finance related issue of the firm will be a plus. The report should be no longer than 15 pages (double spacing with at least 10 pitch) including all exhibits. Each group should notify me the target company to analyze by **Oct. 30** by an email. Please start to work on the final group report as soon as possible. Each group also needs to present the final group report for about 15 minutes in the class during the last week of the semester.

Group Management

Each member of a group is expected to motivate others to participate equally. To discourage someone from shirking, a peer evaluation will be conducted at the end of the semester to identify those who are obviously free-riding. Those who receive the worst evaluation (1 out of 5) from the majority of group members will receive only **50%** of the scores of all group assignments.

Course Schedule

The schedule is attached in the following page for your reference.

Course Schedule

Class Weeks	Topic	Chapter	Due
1W (9/1)	Introduction, Financial Statements, and Time Value of Money	CH 1, 2 and 4	
2W (9/8)	Securities Valuation	CH 5 and 6	Ass 1
3W (9/15)	Net Present Value, IRR and Other Capital Budgeting Issues	CH 7 and 8	Quiz 1
4W (9/22)	Risk and Return	CH 10 and 11	Ass 2
9/29	No Class (Chuseok Holiday)		
5W (10/6)	CAPM and Cost of Capital	CH 11 and 12	Quiz 2
6W (10/13)	Capital Structure	CH 14 and 15	Quiz 3
7W (10/20)	Exam 1		Exam 1
10/27	No Class (Break)		
8W (11/3)	Dividend Policy	CH 16	Quiz 4
9W (11/10)	Options and Real Options ✓	CH 17 and 9	Ass 3
10W (11/17)	Venture Capital, Issuing Securities, and IPOs ✓ Aspects of financial contracting in venture capital by Sahlman (Summer 1988, JACF) ✓ Ritter (2003, North-Holland Chapter 5)	CH 19	Quiz 5
11W (11/24)	Exam 2 Seasoned Equity Offerings ✓ Loughran and Ritter (March 1995, JF)	CH 19	Exam 2
12W (12/1)	Economic Value Added (EVA) & Short-Term Financing ✓ Shawn Tully (Sep. 20, 1993, Fortune) ✓ Robert T. Kleiman, (Summer 1999, JACF)	CH 18	
13W (12/8)	M&As and International Corporate Finance	CH 20 and 21	Final Project Due Date
14W (12/15)	Final Project Presentation		