Corporate Financial Policy
(MGT561 E; SMB561 E)
Fall 2012

Prof. Hae Jin Chung
KAIST College of Business

Mon, Wed 1:00-2:20

Office: S430(Tel: 958-3625
E-mail: hjchung@business.kaist.ac.kr
Office Hours: TBA
TA: TBA

Course Goal: This course is designed to help you to understand the fundamental functions of corporate finance and corporate decision making. Precisely, we seek to answer central questions in corporate financial management: *which* projects firms should choose and *how* and *when* they finance those projects.

The learning objectives of this course are:
1. Student will produce professional business documents.
2. Students will demonstrate effective interpersonal communication in a team setting.
3. Students will use appropriate analytical tools to identify problems in corporate finance and develop a solution.

Course Introduction: This course is designed to help you understand various functions of corporate finance. We overview how firms strategically raise funds to finance their projects. In particular, we integrate capital structure and corporate finance decisions with corporate strategy in our discussion. Other topics include corporate payout policy, managerial incentives, information, corporate governance, and the market for corporate control. Finally, issues continuously in the news and the subject of vigorous corporate financial policy debate will also be discussed.

Class Work: In the first half of the course, we will build on the fundamental skills for analyzing a firm's investment and financing decisions by lecture and problem sets. As we move on to the second half, the course is designed as a combination of lecture and case discussion where strong interactions among students are crucial in the success of instructions.

Prerequisite: MGT 560 Financial Accounting

Textbook

Text: Corporate Finance, 9th 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:

Midterm	30 points
Final	40 points
Group Project (Cases)	20 points
Problem sets /Participation	10 points

Grade Distribution: **A(+,0,-): 40~60%, B(+,0,-):40~60%, C: 0~20%**

Midterm and Final Exam: We will have 2 exams (midterm and final) on Wednesday of the exam weeks. There are no make-up exams.

Group Project (Valuation): Each group picks an industry excluding financial service and real estate sector, and each person picks a frequently traded public company within the chosen industry. The purpose of this group project is to value this portfolio of real-world companies applying the concepts and tools we learn in the class. More detailed instructions and guidelines will be given in class.

Problem sets: There will be 2 problem sets in the first half to prepare you for the exams. 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).

Participation: 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.

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.

Class Schedule
(TENTATIVE, subject to change)

Week 1: Introduction and Financial Statement Analysis
Course Introduction: Professor Hae Jin Chung
Reading: RWJ (Ch. 1&2)

Week 2: Time Value of Money
Reading: RWJ (Ch. 4)

Week 3: Valuation of Financial Securities (Sep 18: Holiday)
Reading: RWJ (Ch. 8&9)

Week 4: Investment Rules
Reading: RWJ (Ch. 5)
Problem set #1

Week 5: Risk and Return
Reading: RWJ (Ch. 10&11)

Week 6: Cost of Capital and Capital Budgeting I (Oct 9: Holiday)
Reading: RWJ (Ch. 13&14)

Week 7: Cost of Capital and Capital Budgeting II (Oct 9: Holiday)
Reading: RWJ (Ch. 13&14)
Problem set #2

Week 8: Midterm Exam

Week 9: Capital Structure I
Reading: RWJ (Ch. 16)

Week 10: Capital Structure II
Reading: RWJ (Ch. 17, 19)

Week 11: Payout Policies/ Financing and Valuation (APV)
Reading: RWJ (Ch. 18, 19)

Week 12: Financing and Valuation (WACC)
Reading: RWJ (Ch. 16)

Week 13: Raising Capital
Reading: RWJ (Ch. 20)

Week 14: Entrepreneurship Finance

Week 15: Review

Week 16: Final Exam