FMB 504E
Corporate Finance
Spring 2013

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Office Hours: 2:00-3:00 p.m. on Thursday and by appointments.
Hours: Mondays and Wednesdays 10:00- 11:20 a.m.
Lecture Room: ***
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Course Objective:

This course is designed to help you develop a deeper understanding of the issues and the basic tools needed for corporate finance managers. The issues addressed in this course include capital structure and payout policy, real options, how to raise external capital, mergers, Economic Value Added (EVA) and corporate governance. It is designed for everyone who has taken introductory corporate finance course and/or an investments course. This course will cover cases as well as academic papers on the issues being covered in the class.

Required Materials

1) *Various materials available on the course web site*

Recommended Materials

1) Corporate Finance by Ross, Westerfield and Jaffe (9th edition, 2010, McGraw-Hill/Irwin)

Contact Information

I strongly encourage you to contact me on a regular basis and discuss the topics of our class. You can always call me at my office (958-3441). The best way to communicate, however, is through email. My email address is inmool@business.kaist.ac.kr

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

	Date of examination	Contribution to the final grade
Midterm	10/14	25 % or 15%*
Final exam	12/18	35 % or 45%*
4 Cases and presentation		20 %
Final group report and presentations		10 %
Attendance and participation		10 %

Exams and Exam Weights

Final exam is semi-comprehensive. For the materials covered before the midterm exam, you are only responsible for the topics appeared in the midterm exam and assignments. After the midterm exam, you can exercise an option to change your midterm and final exams' weights from 25-35 to 15-45. You have to exercise your option by **Oct. 30** by sending me an email and submitting a signed and dated memo saying that you exercise your option. Once you exercise your option, you cannot go back to the original weights of 25-35. All exams are closed-book exams but you can bring an A4 size paper with any relevant **hand-written** notes you might want to reference in one side of the paper.

Group Works

Everyone will be assigned to a group of four or less. Each group is responsible for the submission of a group report for each case, and final group report and presentations.

Case Assignments and Presentations

Each group is responsible for the submission of executive case summaries. The summaries are due on the day when a new case is discussed. You have to submit **a hard copy** in addition to sending me an email. **The executive summaries are not accepted after the due time which is 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% × 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%) × 90)). This means that **an assignment submitted after 12:00 p.m. will receive a zero score.** On the due date of each assignment, some groups will be asked about their report and therefore, each group should be prepared to answer any questions regarding the submitted assignment. When you submit the assignment through an email, please use the following rule for the attachment: File name should be in the following format: "**Group#_Ass#**" (for example, for the group, "1", and for the assignment 1, "**Group1_Ass1**"). You also have to bring a hard copy of the assignment to the classroom and submit it at the beginning of the class. Every group should be prepared for the presentation of a case, if asked to do so in the class. You are to assume the role of corporate analysts who are presenting their recommendations to their firm's board of directors.

Final Group Report and Presentation

Each group is responsible for choosing a topic related to the course and writing a group report on the chosen topic. 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 topic of the report by **Oct. 23**. I strongly encourage you to ask me any questions regarding this final group report. Please start to work on the final group report as soon as possible. Each group also needs to present the final group report in the class during the last week of the semester. The due date for the submission of the report together with presentation materials is **Dec. 9**. When you submit the final report through an email, please use the following rule for the attachment: File name should be in the following format: "**Group#_FP**" (for example, for the group, "1", and for the assignment 1, "**Group1_FP**"). You also have to bring a hard copy of the assignment to the classroom and submit it at the beginning of the class.

Participation & Attendance

Most students with regular participation and attendance will get 7 points out of 10. Students with very active participation and perfect attendance will get 10 points. Students with no participation or many absences will get 2 point.

Group Management

Each member of a group is expected to motivate others to participate equally. If any member of a group is shirking his or her duties, please bring that to my attention as early as possible. I will try to work with the group to solve the problem. To discourage someone from shirking, **a peer evaluation** will be done 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 all other members will get zero scores for all group assignments. Those who receive the worst evaluation from the majority of group members will receive **70%** of the scores of all group assignments.

Course Schedule

The schedule is attached in the following. The names of journals and books marked in the schedule are: JACF: Journal of Applied Corporate Finance, JF: Journal of Finance, JFE, Journal of Financial Economics, RWJ: Corporate Finance by Ross, Westerfield and Jaffe. Both topics and articles to be covered are **subject to change**. Any changes made will be posted on the class web site.

Course Schedule

Weeks	Topic	Due date
1 Week (9/2,4)	■ Introduction (RWJ 15, 16 & 17) ✓ Graham and Harvey (Spring 2002, JACF) ✓ Barclay and Smith (Winter 2005, JACF) ✓ Shivdasani and Zenner (Winter 2005, JACF)	
2 Week (9/9, 11)	■ Capital Structure (RWJ 17) ✓ Baker and Wurgler (Feb. 2002, JF) ✓ MS Roundtable (Winter 2005, JACF)	
3 Week (9/16)	■ Case Studies: *Hill Country Snack Foods Co.* Chuseok Holiday (9/18)	Case 1 Due (9/6)
4 Week (9/23, 25)	■ Payout Policy (RWJ 19) ✓ Chen, Ikenberry and Lee (September 2004, JFQA) ■ Overview of Corporate Financing (RWJ 15, 20) ✓ Smith (1986, JFE or Midland Corporate Finance Journal or Chew)	
5 Week (9/30, 10/2)	■ Venture Capital and IPOs (RWJ 20) ✓ Aspects of financial contracting in venture capital by Sahlman (Summer 1988, JACF) ✓ Gompers and Lerner (Feb. 2000, JFE) ✓ Megginson (Winter 2004, JACF) ✓ Ritter (2003, North-Holland Chapter 5) ✓ Ritter and Welch (August 2002, JF)	

6 Week (10/7, 9)	■ Case Studies: *Netscape's Initial Public Offering* ■ IPOs and IPO Valuation (RWJ 20) ✓ Kim and Ritter (September 1999, JFE) ✓ Mills (Winter 2005, JACF)	Case 2 Due (10/7)
7 Week (10/14, 16)	Mid-term Exam (10/14) No Class on 10/16	
8 Week (10/21, 23)	■ SEOs (RWJ 20) ✓ Loughran and Ritter (March 1995, JF) ✓ Bortolotti, Torino, and Megginson (Summer 2008, JACF) ✓ Eckbo (Fall 2008, JACF) ✓ Moon (Summer 2006, JACF)	Final Report Topic (10/23)
9 Week (10/28, 30)	■ Applications of Options into Corporate Finance (RWJ 7, 22, 23) ✓ Triantis (Spring 2005, JACF) ✓ Copeland and Antikarow (Spring 2005, JACF) ✓ Brealey, Myers and Allen (Fall 2008, JACF)	
10 Week (11/4, 6)	■ Case: Laura Martin: Real Options and the Cable Industry ■ Convertible Bonds (RWJ 24) ✓ Michael Brennan and Eduardo Schwartz (Summer 1988, JACF) ✓ Mayers (Spring 2000, JACF) ✓ Mayers (JFE 47, 1998)M & A (RWJ 29) ✓ Bruner (Fall 2004, JACF) ✓ Hazelkorn, Zenner and Shivdasani (Spring/Summer 2004, JACF)	Case 2 Due (11/4)
11 Week (11/11, 13)	■ Mergers and Acquisition (RWJ 29) ✓ Rochester Roundtable on M&A (Fall 2005, JACF) ✓ Parrino and Harris (Winter 1999, JACF) ✓ Subramanian (Fall, 2005, JACF) ✓ ■ Contingent Capital ✓ GM 1991 Equity Financing (PERCS): Darden School Case ✓ Arzac (Spring 1997, JACF)	
12 Week (11/18, 20)	■ Case: Cox Communications, Inc., 1999 ■ Corporate Risk Management (RWJ 25) ✓ MIT Roundtable on Corporate Risk Management (Fall 2008, JACF) ✓	Case 3 Due (11/18)

13 Week (11/25, 27)	■ Risk Management and EVA (RWJ 29, 13) ✓ Chacko, Tufano and Verter (Spring 2002, JACF) ✓ Culp (Winter 2002, JACF) ✓ Triantis (Summer 2000, JACF) ✓ Drexel Roundtable on Risk Management, Corporate Governance, and the Search for Long-Term Investors (Fall 2010)Shawn Tully (Sep. 20, 1993, Fortune) ✓ Robert T.Kleiman, (Summer 1999, JACF)	
14 Week (12/2, 4)	■ Corporate Governance and Wrap-up ✓ Kim and Kim (Winter 2008, JACF) ✓ Gillan and Starks (Mar. 2007, JACF) ✓ Holmstrom and Kaplan (Spring 2003, JACF) ✓ Wruck (Summer 2008, JACF)	
15 Week (12/9, 11)	■ Final Group Report Presentation	Final Group Report Due (12/9)
16 Week	Final Exam (12/18)	