KOREA ADVANCED INSTITUTE OF SCIENCE AND TECHNOLOGY
Graduate School of Finance

COPORATE FINANCE

(FMB **504)**
Fall 2014

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Text: 1. (Main) Corporate Finance, 9th Edition, by Stephen A. Ross, Randolph W. Westerfield, and Jeffrey Jaffe, McGraw-Hill Irwin, 2010 (RWJ)
2. Financial Markets and Corporate Strategy, 2nd Edition, by Grinblatt and Titman, McGraw-Hill Irwin, 2002 (GT)
3. A New Approach to Funding to Funding Social Enterprises, by Antony Bugg-Levine, Bruce Kogut, and Nalin Kulatilaka, Harvard Business Review, Jan-Feb, 2012, pp.3-7 BKK (HBR,2012)
4. Korean Firm Case : 대한민국 성공중견기업의 조건, 2007, 석정 (in Korean)

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.

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

2 Exams	40 points (20 points each)
4 Case Analysis	20 points (5 points each)
1 Case Presentation	10 points
Case Writing	30 points
Extra Credit (Participation, etc.)	5 points (max)

Grade Distribution: **A(+,0,-): 40~50%, B(+,0,-):40~50%, C: 0~20%**

Exam: We will have 2 exams throughout the semester and each exam is worth 20 points. There are no make-up exams. The exact times for exams will be discussed with students at the beginning of the semester.

Case Analysis: Students as a group are required to solve three to five case analysis questions for each case study totaling **4 reports** (excluding the case your team or the instructor is discussing). 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: Your team is also required to present a case to be discussed in class using PowerPoint presentation slides. The materials should be prepared for a 10 minute presentation (Around 12 slides). Students can start presenting case after the 1st exam until the end of the semester. The order of presentation with the choice of the case is based on first come first served basis, and a maximum of two teams can present the same case. In that case, those two teams should discuss the scope of presentation to minimize duplication.

Case Writing: You as a team are required to conduct a term project to write a case on the following subject: the success (or failure) case for small business financial strategy in Korea. The case should be written in Korean. Detailed instructions will be followed during the early stage of the semester. The points for case writing and presentation are 30 points. The final term project output may not be complete case study but should contain originality and significant implications in the related field. The format of presenting written case is similar to the Korean case text (대한민국 성공중견기업의 조건).

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 exams 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
Reading: RWJ (Ch. 1)
Reading: RWJ (Ch. 20)

Week 2: Chuseok Holidays

Week 3: Raising Capital

Reading : RWJ (Ch. 20)
Case Discussion by the Instructor :
Case 1: Korea First Bank (A) (Product Number: HBS 9-701-022)
Case 2: Shinsei Bank (A) (Product Number: HBS 9-302-036)

Week 4: : Leasing

Case Discussion by Students Start from this Week:
Case 3: Preparing for the Google IPO: A Revolution in the Making?
(Product Number: IMD185)
Reading : RWJ (Ch. 21)

Week 5: Social Financing (By Prof. Sangdal Shim, KDI School)

Instructor's Own Lecture Note
Reading: BKK(HBR,2012)

Week 6: Dividend Payout Policy and Share Repurchase Program

Case 4: Social Finance, Inc.
(Product Number: 212055-PDF-ENG)
Reading: RWJ (Ch. 19)

Week 7: Corporate Governance and Shareholder Activism

Case 5: Dividend Policy at Linear Technology (Product Number: HBS 9-204-066)
Reading: GT (Ch. 18 & 19)

Week 8: Exam#1

Week 9: Options and Corporate Finance

Case 6: Corporate Governance Failure at Satyam
(Product Number: HKU889-PDF-ENG)
Reading: RWJ (Ch. 22)

Week 10 : Options and Corporate Finance

Reading : RWJ (Ch. 23)

Week 11: Warrants and Convertibles

Case 7: Aqua Bounty
(Product Number: 213047-PDF-ENG)
Reading: RWJ (Ch. 24)

Week 12 : Enterprise Risk Management

Case 8: Corning: Convertible Preferred Stock
(Product Number: 206018-PDF-ENG)
Reading: Instructor's Own Lecture Note/RWJ (Ch. 25)

Week 13 : Mergers and Acquisitions

Case 9: Enterprise Risk Management at Hydro One (A)
(Product Number: 206018-PDF-ENG)
Reading: RWJ (Ch. 29)

Week 14 : Financial Distress

Case 10 : Shinhan Financial Group (Product Number: HBS 9-305-075)
Reading: RWJ (Ch. 30)

Week 15 : International Corporate Finance

Reading: RWJ (Ch. 31)

Week 16: Exam#2

<u>Case Writing Due 5 PM December 26, Friday by posting at the Course Forum</u>