KAIST School of Business
FMB 513E, Advanced Corporate Finance
Fall, 2018

Lecture: Tuesday and Thursday 10:30- 11:50 a.m. (Lecture Room: ***)
Professor: Ryoonhee Kim
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Teaching Assistant: Byung-Heon Jeon (jeon4466@kaist.ac.kr)
(Note that this syllabus is tentative and changes can be announced in class or on class website anytime)

Course Objective

This course is designed to help you develop a deeper understanding of the basic tools needed for corporate finance managers and the challenges faced by modern firms. It is designed for everyone who has taken introductory corporate finance course. This course will cover cases as well as academic articles on the issues being covered in the class.

Course Materials

Lecture Notes: Class slides will be posted on the course website before the day of each lecture

Variable material available on the course website including mainly articles

Textbook: Corporate Finance by Ross, Westerfield and Jaffe 10th edition, 2013, or a later edition McGraw-Hill/Irwin. (RWJ)
Reference book: Corporate Finance 3rd Edition by Jonathan Berk and Peter DeMarzo, Prentice Hall, 2013 or a later edition
(*I strongly encourage students to read relevant textbook chapters/articles before each lecture.*)

Course Website: WWW. ***. Lecture notes, articles, assignments, class announcements, and important deadline dates will be announced on the course website. Students are required to check the website on a regular basis.

Assessment

Your class grade will be based on the following:
- Class participation: 5%
- Group assignments: 30%
- Group presentation: 5%
- Mid-term Exam: 20%
- Final Exam: 40%

Participation & Attendance

Students are expected to attend class regularly. A student will not be able to learn and participate in class without regular attendance. A student without sufficient attendance cannot pass the course.

Group Assignments and presentation

There will be three group assignments including 1 case study and 2 projects.
Due date of the case study: Sep. 27
Group project 1: Oct. 29
Group project 2: Nov. 19

Group: A group ideally includes 5-6 students each, and more than 6 students per group is not allowed. I encourage students to form their own group. However, if a student needs my help in finding a group, he/she should contact me. Students who finish forming a group should send an email to TA and let him know that who are in the group by week 2.

Case study: Paramount Equipment Inc. (Harvard Business School case)

Group project 1
This course cannot cover all topics in corporate finance. I want each group to pick a corporate finance topic that is not covered in lectures, but the group is interested in. The report should include basics of the topic as well as analysis of two or three articles that are related to the topic.

Group project 2
The purpose of the project 2 is to find practical applications of topics covered in class. Each group is responsible for choosing a topic covered in the course and writing a group report on the topic. The report can be a thorough analysis of one case or combinations of several cases. The cases can come from various sources including newspaper articles and work that students were involved with. The cases can be about any country (no need to be U.S.).

Group report preparation and submission
Each group need to prepare a write-up (the write-up should include any supporting materials such as spreadsheets, figures and tables). The report should be no longer than 15 pages (double spacing with at least 10 font-size) including all exhibits. Please start to work on the group projects as soon as possible. As a matter of policy, the report should be submitted by email and late submission is *not acceptable, which means that assignments should submitted before midnight of the due date.* You also have to bring a hard copy of the assignment to the classroom and submit it at the beginning of the class.

Group presentation

Each group also needs to present one of two group projects during the class in the last week of the semester.

Potential Peer evaluation
Generally, assignment scores are the same for members of the same group. However, the final score for each student may be adjusted by how much he/she contributes to the assignment preparation, if I am informed about a free-rider problem. Any student can report the free-rider problem to me. Then, I will ask the involved group to submit peer evaluations.

Academic Integrity

Any form of academic dishonesty has no place in the University. Any student caught in cheating or copying (including plagiarism) will get '0' on the work involved.

Class Schedule

Both topics and articles to be covered are subject to change. (JACF: Journal of Applied Corporate Finance)

Weeks	Class dates	Topic	Relevant Chapters of textbook and articles
Week 1	8/28	Review of Capital Structure Theories and practices in capital structure decisions	• RWJ chapter 16 & 17 • Graham and Harvey (2002, JACF)
	8/30	Tax benefit of debt and Financial Distress	• RWJ chapter 17 & 30 • Graham and Harvey (2002, JACF) • Heider and Ljungqvist (2015) • Opler and Titman (1994)
Week 2	9/4	More on Capital Structure - Market timing - Testing determinants of capital structure	• Baker and Wurgler (2002) • Rajan and Zingales (1995) • Frank and Goyal (2009)
	9/6	More on Capital Structure - Credit rating - Product market competition - Employees	• Graham and Harvey (2002, JACF) • Kisgen (2006) • Tang (2009) • Chevalier (1995) • Zingales (1998)

			• Matsa (2005)
Week 3	9/11	Cash policy	• RWJ chapter 27 • Bates, Kalhe, and Stulz (2009) • Fresard (2010) • Duchin, Ozbas and Sensoy (2010)
	9/13	Payout Policy	• RWJ chapter 19 • Brav, Graham, Harvey, Michaely (2005) • Barclay and Smith (2005, JACF)
Week 4	9/18	Overview of (Long term) External Financing	• RWJ chapter 15&20 • Smith (1986)
	9/20	More on external financing: financial constraints	• RWJ chapter 15&20 • Fama and French (2005) • Edwards, Schwab, and Shelvin (2016) • Rajan and Zingales (1998)
Week 5	9/25	Chuseok Holiday	
	9/27	Financial Crisis	• Campello, Graham and Harvey (2010) • Almeida, Campello, Laranjeira, Weisbenner, (2012) • Kroszner, Laeven, and Klingebiel (2007)
Week 6	10/2	Trade credit	• RWJ Chapter 28 • Petersen and Rajan (1997) • Burkart and Ellingsen (2004) • Garcia-Appendini and Montoriol-Garriga (2013)
	10/4	More on trade credit	• Jorion and Zhang (2009) • Boissay and Gropp (2013) • Barrot (2018)
Week 7	10/9	Holiday	
	10/11	Customer-supplier relations and capital structure	• Titman and Wessels (1988) • Banerjee et al (2008) • Kale and Shahrur (2007)

			• Chu (2012)
Week 8	**10/18**	**Midterm Exam (Exam starts from 9:00am)**	**Week 1-7 material**
Week 9	10/23	Internal capital markets - Introduction to conglomerates and business groups	• Matvos, Seru, Silva (2018) • Almeida, Kim, and Kim (2015)
	10/25	Conglomerates and coinsurance	• Duchin (2010) • Hann et al (2013) • Gopalan and Xie (2011)
Week 10	10/30	Corporate risk management	• RWJ Chapter 25 • Servaes, Tamayo and Tufano (2009, JACF) • Smithon and Simkins (2005, JACF)
	11/1	Corporate risk management	• RWJ Chapter 25 • Nance, Smith, and Smithson (1993) • Campello et al (2011)
Week 11	11/6	Mergers and Acquisitions (M&A)	• RWJ Chapter 29 • Bruner (Fall 2004, JACF)
	11/8	More on M&A	• Bena and Li (2014) • Fee and Thomas (2004) • Ahern and Harford (2014) • Fan and Goyal (2006)
Week 12	11/3	Corporate governance	• Berk and Demazo chapter • Gillan and Starks (Mar. 2007, JACF)
	11/5	More on corporate governance (Accounting scandals)	• Holmstrom and Kaplan (Spring 2003, JACF) • La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000, JFE)
Week 13	11/20	Corporate governance and Tax avoidance	• Chen, Harford and Lin (2015) • Chhaochharia, Crinstein, Grullon and Michaely (2016) • Desai, Dyck, and Zingales (2007) • Kim, Li, Zhang (2011)

	11/22	Value of political connections	• Coeper, Gulen, Ovtchinnikov (2010) • Ritchter, Samphantharak, Timmons (2009) • Faccio, Masulis, and McConnell (2006) • Duchin and Sonsyura (2012)
Week 14	11/27	Innovation and Corporate Finance	• Brown, Fazzari and Petersen (2009) • Mukerjee, Singh and Zaldokas (2017)
	11/29	More on innovation and course wrap-up	• Schumpeter (1950) • Agion and Howitt (1992) • Agion, Bloom, Blundell, Griffith, and Howitt (2005) • Bloom, Draca, and Van Reenen (2016) • Autor, Dorn, Hanson, Pisano, and Shu (2017)
Week 15	12/4 &12/6	Group Project Presentation	
Week 16	**12/13**	**Final exam (Exam starts from 9am)**	**Week 1-14 material**