



Korea University International Summer Campus (KU ISC) 2018

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June 26, 2018 ~ August 2, 2018

ISC 305 – Corporate Finance

I . Instructor

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II. Textbook

Required Textbook : Corporate Finance, 10th edition,
by Ross, Westerfield, and Jaffe, McGraw-Hill/Irwin.



* Note that the current version is the 11th edition, but we will use the 10th edition. You can also purchase an earlier edition such as the 8 and 9th editions.

Recommended Additional Readings : The course covers cases that illustrate and amplify the issues we discuss in class. Three cases are chosen from Harvard Business School Cases, which are used in many of the world's leading business schools. You can purchase directly on the website of Harvard Business School Press (<http://cb.hbsp.harvard.edu/cbmp/access/65079981>). This course pack provides students with an academic discount.

Case #1 – Marriott: product # 289047

Case #2 – Massey-Ferguson Ltd.--1980: product # 282043

Case #3 – Eskimo Pie Corp.: product # 293084

Case #4 –Restructuring at Nova Chemical Corporation: product # 208107

III. Course Description and Objectives

This course aims to enable students to understand the financial decision making practice of corporations in different circumstances and the advanced techniques required by financial managers. The course also aims to enable students to apply financial principles and theories to understanding issues and solving problems in real-world settings independently. We will examine the costs and benefits of various financing choices with an emphasis on issues related to taxation, agency problems, information problems, and managerial incentive problems. These issues will be explored in the context of a firm's capital structure choice, payout policy, security issue choice, and mergers and acquisitions.

IV. Grading

Class Participation	: 20 points
Midterm Exam	: 70 points
Final Exam	: 100 points
Group Case	: 20 points
Individual case assignments	: 15 points

V. Class Outline

Date	Topic	Chapter
June 26 (Tue)	Orientation Day	
June 27 (Wed)	Course Introduction / Cost of Capital	13
June 28 (Thu)	Cost of Capital	13
June 29 (Fri)	Marriott / Long-Term Financing	Case 1/15
July 2 (Mon)	Long-Term Financing	15
July 3 (Tue)	Capital Structure: Basic (part 1)	16
July 4 (Wed)	Capital Structure: Basic (part 2)	16
July 5 (Thu)	Capital Structure: Basic (part 2)	16
July 9 (Mon)	Capital Structure: Limits to the Use of Debt (part 2)	17
July 10 (Tue)	Capital Structure: Limits to the Use of Debt	17
July 11 (Wed)	Review Session	
July 12 (Thu)	Mid-term exam (July 12, Thursday)	
July 16 (Mon)	Massey-Ferguson Ltd.—1980 Financing and Valuation	Case 2/18
July 17 (Tue)	Financing and Valuation	18
July 18 (Wed)	Eskimo Pie Corp & Tips for Group project / Payout Policy	Case 3/19
July 19 (Thu)	Payout Policy	19
July 23 (Mon)	Issuing Securities	20
July 24 (Tue)	Convertibles	24
July 25 (Wed)	Mergers and Acquisitions	29
July 26 (Thu)	Review Session	
July 30 (Mon)	Final exam (July 30, Monday)	
July 31 (Tue)	Course Wrap up	
Aug 1 (Wed)	Grade Consultation	
Aug 2 (Thu)	Commencement	

V. Additional Information

Prerequisite: Principles of Finance (ISC303)

This is not an introductory finance course, and it is assumed that students entering ISC305 (Corporate Finance) took an introductory finance course. **Note that schools use different course titles for the introductory finance course such as Principles of Finance, Financial Management, Introduction to Finance, and even Corporate Finance.** For example, the University of Hong Kong uses the title of “Corporate Finance” for an introductory finance course and the equivalent of this course at Korea University is ISC 303 (Principles of Finance). Note that ISC305 (Corporate Finance) starts from the chapter 13 of the textbook, assuming that you already took an introductory finance course, which covers chapters from 1 to 12 of the textbook. If you have not taken an introductory finance course you should take ISC 303 (Principles of Finance) rather than ISC305 (Corporate Finance).

Exam

There will be three exams. Some of the problems will require calculations, while some will be conceptual questions. This is a closed-book exam.

Class Participation

I will actively grade your participation. Students are expected to actively participate in class-not merely attend class. The grade for class participation is therefore not merely a reflection of attendance; however, attendance will be taken. A student with 4 or more absences will receive a zero for class participation.

Exam Policy

You should bring a calculator for the exam. The calculator cannot be a smartphone. The use of smartphones or any other device connected to the internet is STRICTLY forbidden, and such use will constitute academic dishonesty. **A4 size sheet**, written on one side with formula only and with your name on it, can be used during tests and the final. These Formula sheets must be turned in with your exam. You must take your seat according to the seating plan when you take a test.

Case Assignments

- (1) Group assignment: There will be a group assignment based on Case #4. Students are required to understand critical issues in the case and conduct an independent analysis to develop their own solutions. The assignment will be posted on the course website. You have to work on this as a group and a group should hand in one set of answers. The group members will receive the same grade for their group case assignment. Two to four students form one group.
- (2) Individual assignments: For Cases #1, #2, and #3, each student is required to answer some brief questions on the cases. These questions will be posted on the course website and they are due before the lecture that covers the case. These questions are intended to give you an incentive to read the case in advance and to think about some of the important issues.