

Corporate Finance (2nd Year Undergraduate)

Instructor: Changmin Lee
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Office Hour: By appointment

Course Description:

This course examines the main aspects of corporate finance by discussing the design of financial policy, the valuation of firms and financial instruments. Students are expected to think from the perspective of financial manager.

Required Text:

Brealey, Richard A., Stewart C. Myers, and Franklin Allen, Principles of Corporate Finance, 9th edition, McGraw Hill, New York, 2008 (Hereafter, BMA).

Prerequisites:

Students are expected to have proper knowledge on basic economics and accounting.

Grades:

Grades are based on

1. Attendance (20%)
2. Homework Assignment (10%)
3. Mid Term Exam (30%)
4. Final Exam (40%)

There will be some extra credits in this class.

Extra Credits:

Students are encouraged to join discussions and debate for each topic and the extra credits will be given based on your participation.

Tentative Course Outline:

Please note that this is a tentative outline. **This outline is subject to change, which would be announced in class.**

Part I. Class Overview

1 Week

Class Introduction

Overview of Corporate Finance

Investment Decision

- BMA Ch. 2, 3: Present Value, Discount Factor, Cost of Capital

Part II. Investment, Cost of Capital, and Asset Pricing

2 Week

Basic Asset Pricing

- BMA Ch. 2, 3: Present Value, Discount Factor, Cost of Capital
- BMA Ch. 4: Valuing Bond

3 Week

Basic Asset Pricing

- BMA Ch. 4: Valuing Bond
- BMA Ch. 5: Valuing Common Stock

4 Week

Risk and Return, More about “Cost of Capital”

- BMA Ch.8: Risk, Return and Cost of Capital
- BMA Ch.9: Risk and Return

5 Week

Risk and Return, More about “Cost of Capital”

- BMA Ch.9: Risk and Return
- BMA Ch.10: Capital Budgeting and Risk

6 Week

Risk and Return, More about “Cost of Capital”

- BMA Ch.9: Risk and Return
- BMA Ch.10: Capital Budgeting and Risk

Part III. Finance, Equity, and Debt

7 Week

BMA Ch.15 Overview of Corporate Financing

BMA Ch. 16 How to Issue Securities

- Venture Capital
- IPO and Investment Banking

Reference: Example of IPO Process - “Samsung Life Insurance” IPO, 2010

8 Week

Mid Term Exam

9 Week

BMA Ch. 16 How to Issue Securities (Continued)

- Venture Capital
- IPO and Investment Banking

Reference: Example of IPO Process - “Samsung Life Insurance” IPO, 2010

Part IV. Investment and Corporate Restructuring

10 Week

BMA Ch. 32 and 33: Corporate Restructuring

- Fusion: M&A
- Fission: Spin-Off, Carve-Out , and Divestiture
- Conglomerates
- Leverage Buy-out and Private Equity Fund

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11 Week

BMA Ch. 32 and 33: Corporate Restructuring (Continued)

- Fusion: M&A
- Fission: Spin-Off, Carve-Out , and Divestiture
- Conglomerates
- Leverage Buy-out and Private Equity Fund

Part V. Corporate Governance and Control

12 Week

Overview of Corporate Governance and Control

Internal Governance I: Corporate Ownership and Control

- Controlling Shareholder
- Separation of Ownership and Control
- One Share-One Vote Principle

Internal Governance II: Boards of Directors

Main Text: Class Note

13 Week

BMA Ch 12: CEO Pay

- Agency Problem
- Trend in Executives' Pay

The Final Exam