

**FMB 508E**  
**Corporate Finance 1**  
**Fall 2015**

Professor: Inmoo Lee  
email: [inmool@business.kaist.ac.kr](mailto:inmool@business.kaist.ac.kr)

Office: Supex 324

Phone: 958-3441

WWW site for FMB 508E

<http://www.business.kaist.ac.kr/faculty/inmoo/teaching.htm>

Office Hours: 4:00-5:00 p.m. on Tuesday and by appointments.

Hours: Tuesday and Thursday 8:30- 9:50 a.m.

Lecture Room: \*\*\*

Teaching Assistant: \*\*\* (email: [\\*\\*\\*](#))

**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 first half of an advanced corporate finance course include capital structure and payout policy, how to raise external capital, and real options. It is designed for everyone who has taken introductory corporate finance 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 (10<sup>th</sup> edition, 2013, McGraw-Hill/Irwin)
- 2) Corporate Finance (3<sup>rd</sup> Edition) by Jonathan Berk and Peter DeMarzo (Prentice Hall, 2013)

**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](mailto:inmool@business.kaist.ac.kr)

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

	<u>Date of examination</u>	<u>Contribution to the final grade</u>
Exam	10/20	50 %
2 Case analyses		30 %
1 Assignment		10 %
Attendance and participation		10 %

## **Exam**

The exam is a closed-book exam 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. The scores of students who violate this rule will be reduced by **50%**.

## **Group Works**

Everyone will be assigned to a group of four or five. Each group is responsible for the submission of a group report for each case and assignment.

## **Case Analyses and Assignment**

Each group is responsible for the submission of 2 executive case summaries and 1 assignment. 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 with attachments. **The executive summaries and assignments are not accepted without penalty 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 **a case or an assignment submitted after 12:00 p.m. will receive a zero score.** On the due date of each case 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#\_Case#**” or “**Group#\_Ass#**” (for example, for the group, “1”, and for the case 1, “**Group1\_Case1**” (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.

## **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.

## **Academic Dishonesty**

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the degree and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam and more severe penalties will be considered depending on the seriousness of dishonesty.

## 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, BD: Corporate Finance by Berk and DeMarzo. 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 (9/1,3)	<ul style="list-style-type: none"> <li>■ Introduction and Review of Capital Structure Theories (RWJ 16 &amp; 17 and BD 14, 15 &amp; 16)               <ul style="list-style-type: none"> <li>✓ Graham and Harvey (Spring 2002, JACF)</li> </ul> </li> </ul>	
2 Week (9/8, 10)	<ul style="list-style-type: none"> <li>■ More on Capital Structure (RWJ 17 and BD 15 &amp; 16)               <ul style="list-style-type: none"> <li>✓ Rajan and Zingales (Dec. 1995, JF)</li> <li>✓ Baker and Wurgler (Feb. 2002, JF)</li> <li>✓ Barclay and Smith (Winter 2005, JACF)</li> <li>✓ Hovakimian, Kayhan and Titman (2012, RFS)</li> </ul> </li> </ul>	
3 Week (9/15, 17)	<ul style="list-style-type: none"> <li>■ Case Studies: <i>Hill Country Snack Foods Co.</i></li> <li>■ Payout Policy (RWJ 19 and BD 17)               <ul style="list-style-type: none"> <li>✓ Floyd, Li and Skinner (July 2014, U of Chicago WP)</li> <li>✓ Brav, Graham, Harvey, Michaely (Sep. 2005, JFE)</li> </ul> </li> </ul>	Case 1 Due (9/15)
4 Week (9/22, 24)	<ul style="list-style-type: none"> <li>■ Overview of External Financing (RWJ 15, 20 and BD 23 &amp; 24)               <ul style="list-style-type: none"> <li>✓ Smith (1986, JFE or Midland Corporate Finance Journal)</li> </ul> </li> <li>■ Venture Capital (RWJ 20 and BD 23)               <ul style="list-style-type: none"> <li>✓ Aspects of financial contracting in venture capital by Sahlman (Summer 1988, JACF)</li> <li>✓ Kaplan and Lerner (2010, JACF)</li> </ul> </li> </ul>	
5 Week (10/1)	<ul style="list-style-type: none"> <li>■ Chuseok Holiday (9/29)</li> <li>■ IPOs (RWJ 20 and BD 23)               <ul style="list-style-type: none"> <li>✓ Ritter (2003, North-Holland Chapter 5)</li> <li>✓ Ritter and Welch (August 2002, JF)</li> </ul> </li> </ul>	Ass 1 Due (10/1)
6 Week (10/6, 8)	<ul style="list-style-type: none"> <li>■ IPO Pricing (RWJ 20 and BD 23)               <ul style="list-style-type: none"> <li>✓ Schmidt (May, 2010, HBR)</li> <li>✓ Kim and Ritter (September 1999, JFE)</li> </ul> </li> <li>■ Real Options (RWJ 7, 22 &amp; 23 and BD 21 &amp; 22)               <ul style="list-style-type: none"> <li>✓ McDonald (Spring 2006, JACF)</li> <li>✓ Triantis and Borison (Summer 2001, JACF)</li> </ul> </li> </ul>	
7 Week (10/13,	<ul style="list-style-type: none"> <li>■ Real Options (RWJ 7, 22 &amp; 23 and BD 21 &amp; 22)</li> </ul>	Case 2 Due

15)	<ul style="list-style-type: none"> <li>■ Case: Laura Martin: Real Options and the Cable Industry</li> <li>■ Wrap-up</li> </ul>	(10/15)
8 Week (10/20)	Exam (10/20)	