



THE UNIVERSITY OF
NEW SOUTH WALES

Faculty of Commerce and Economics
School of Banking and Finance

FINS3625

APPLIED CORPORATE FINANCE

Course Outline
Session 1, 2007

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COURSE OUTLINE CONTENT DETAILS

1. Teaching Staff

Course Coordinator

Teaching staff: Dr. Kingsley Fong
Email address: k.fong@unsw.edu.au
Location: QUAD 3023A
Consultation: Tuesday 12:00-14:00

Tutors

Teaching staff: Mr. Albert Chung (Tutor-in-charge)
Email address: z3131816@student.unsw.edu.au
Location: QUAD 3054

Teaching staff: Ms. Annica Rose
Email address: annica@student.unsw.edu.au
Location: QUAD 3054

Students with questions about course administration or content are encouraged to:

- Read this course outline
- Check the WebCT course site
- Contact the tutor/instructor after class
- E-mail your tutor/instructor
- Contact your tutor/instructor during consultation hours

2. Teaching Time and Location

The course consists of a weekly two-hour lecture and a fortnightly two-hour tutorial. The lecture times are

Tuesday	14:00 to 16:00	Elec Eng G25
Wednesday	16:00 to 18:00	Rupert Myers Theatre

Students must attend the class and tutorial at the time and location of their official UNSW registration. Attendance and participation in tutorials during the session are important components of the course.

3. Course Aims and Outcomes

3.1 Aims

This course concentrates on issues and analytical problems relating to corporate valuation, capital raising, financial distress, mergers and acquisitions. It uses case studies, textbook, and journal articles to illustrate key decisions made by managers. Lecture material is supplemented with journal articles to be read independently by the students and students complete and present case analysis in tutorials. A secondary aim of the course is to develop students' ability to make judgments in a realistic setting. In addition, students are expected to develop their capacity to articulate judgments both orally and in writing.

3.2 Student learning outcomes

Upon completion of this course you will be able to

- apply finance theory in realistic situations
- account for agency issues and incentive effects in financial decisions
- understand the key corporate finance activities from the managerial and investment banking perspectives
- appreciate and analyze the interactions between financial decisions
- analyze and present case analysis

3.3 Relationship of this course to other course offerings and assumed knowledge

This course expands on practical applications relating to financial concepts first introduced in FINS1613 Business Finance.

4. Student Responsibilities and Conduct

4.1 Workload expectations

It is expected that students will spend at least 10 hours per week studying this course. This time should comprise of reading, research, working on exercises and problems, performing computing tasks and attending classes. In periods where you need to complete assignment or prepare for examinations, the workload may be greater.

Over commitment has been a cause of failure for many students. Students should take the required workload into account when planning how to balance study with employment and other activities.

4.2 Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessments.

4.3 General conduct and behavior

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: my.unsw.edu.au

4.4 Keeping informed

You should take note of all announcements made in lectures, tutorials or on the course web site. Most information that you need for this course is available online through WebCT, and you are expected to be fully aware of resources and information on the class WebCT site throughout the term. From time to time, the University will send important announcements to your university email address without providing you with a paper copy. You will be deemed to have received this information.

5. Assessments

5.1 Assessments

To pass this course, you must:

- achieve a composite mark of at least 50 and
- make a satisfactory attempt at all assessment tasks

The assessment tasks and their weighting in your composite mark are as follow:

<u>Assessment task</u>	<u>%</u>
Tutorial Participation	10
Case study presentation	20
Mid session exam	35
Final exam*	35

*** Highly-motivated or research-oriented students are encouraged to apply for the option to take up a research project as a substitute for final exam. You will be assigned a listed-company to study its current structure and financial history. Please email Dr. Fong for further details.**

5.2 Failure to attend an examination

Students should notify employers of the requirement to attend examinations. If you miss any of the class tests (for any reason - employment, sickness, timetable clashes etc.), then in **exceptional** circumstances you may be permitted to sit the missed section at a future date when the school offers supplementary examinations. You should talk with the lecturer about this beforehand if you are in doubt. If you are enrolled in class, you are expected to take scheduled examinations. Failure to attend does not automatically lead to re-assessment.

5.3 Special consideration and supplementary examination

All students need to be aware of special consideration rules and supplementary assessment. If you are unable to meet a required deadline through illness or misadventure there are some forms of relief that may be available to you. These are not administered through the instructor. Rather you will need to contact the school and university. For more information please refer to the School of Banking and Finance website www.finance.unsw.edu.au following links to "Current Students" and then to the section on "Program Information".

An application for special consideration does not guarantee an offer of supplementary examination and/or a pass in the subject. The Assessment Review Committee will decide on whether a supplementary examination is to be granted.

If a student is granted a supplementary examination but does not attend the supplementary examination, he/she will not be granted further assessment except in exceptional circumstances. **Please note that supplementary examination may include an oral component.**

Students are advised that if they intend to travel overseas at the end of this session, they should consider taking out travel insurance which allows supplementary examinations as valid circumstances for cancelling travel.

5.4 Use of electronic calculators during class examinations

Students may use their own electronic/scientific calculator for examination purposes. It is to have functionality not significantly different in sophistication to a CASIO-FX80, which is the standard adopted by UNSW. Note that hand-held computers, Apple Newtons, personal information managers or devices with a full alpha-numeric keypad or with character recognition are strictly prohibited. Failure to follow this requirement and use of an unprescribed aid during an examination is a serious offence and will be regarded as academic

misconduct. If you are unsure about the calculator you use please come and discuss this with the lecturer prior to the day of the examination.

6. Academic Honesty and Plagiarism

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see:

<http://www.lc.unsw.edu.au/plagiarism/index.html>

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

7. Resources for Students

7.1 Lecture notes and announcements

You will be able to obtain the latest course announcements and course materials via WebCT. Log-in page at www.webct.unsw.edu.au.

7.2 Texts

Prescribed text:

Brigham and Daves, 2007, Intermediate Financial Management, 9th ed. South-Western.

Articles:

Week 1 Introduction

Dobson J, 1999, Is Shareholder Wealth Maximisation Immoral? *Financial Analysts Journal*, Sept-Oct, 69-74.

Week 4 Corporate Value

Luehrman T, 1997, What's it Worth. A General Manager's Guides to Valuation, *Harvard Business Review*, May-June, 132-142

Week 5 Valuation Issues

Damodaran, 2001, Chapter 23 Valuing Young or Start-up Firms, in *Investment Valuation*, John Wiley.

Week 9, 10 IPO

Ritter J, 2003, Investment Banking and Securities Issuance, in *Handbook of the Economics of Finance*, ed Constantindes g, Harris M and R. Stulz, North Holland, 257-297.

Reference text:

Damodaran, 2001, *Applied Corporate Finance*, 2nd ed., John Wiley.

Damodaran, 2001, *Investment Valuation*, John Wiley.

7.3 Other resources

Education development unit

Additional learning support, tailored to the needs of FCE students, is available from the Education Development Unit (EDU) in the Faculty. The EDU offers a range of services for FCE students including:

- Academic skills workshops run throughout the session;
- Printed and on-line study skills resources e.g. referencing guide, report writing and exam preparation;
- A drop-in resource centre containing books and audio visual material that can be borrowed;
- A limited consultation service for students with individual or small group learning needs.

More information about the EDU services including on-line resources, workshop details and consultation request forms are available from the EDU website.

Contacts and location:

EDU Web: <http://education.fce.unsw.edu.au>

EDU Location: Room 2039, Level 2 Quadrangle Building

EDU services are free and confidential and are available to students of the Faculty of Commerce and Economics.

UNSW support

In addition to the EDU services, the UNSW Learning Centre provides academic skills support services for students. The Learning Centre is located on Level 2 of the Library and can be contacted by Phone: 9385 3890 or through their website: <http://www.lc.unsw.edu.au/>. Students experiencing problems of an academic or personal nature are encouraged to contact the Counselling Service at UNSW. This service is free and confidential and run by professional counsellors. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contacted on 9385 5418.

Equity and diversity: those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the course convener prior to, or at the commencement of, their course, or with the Equity Officer (Disability) in the Equity and Diversity Unit (9385 4734 or www.equity.unsw.edu.au/disabil.html). Issues to be discussed may include access to materials, signers or note-takers, the provision of services and additional exam and assessment arrangements. Early notification is essential to enable any necessary adjustments to be made. Information on designing courses and course outlines that take into account the needs of students with disabilities can be found at:

www.secretariat.unsw.edu.au/acboardcom/minutes/coe/disabilityguidelines.pdf

8. Continual Course Improvement

Each session feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Courses and Teaching Evaluation and Improvement (CATEI) Process (http://www.lut.unsw.edu.au/ref4-5-1_catei_process.cfm) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.

9. Course Schedule

9.1 Lecture schedule

Week	Topic	Textbook Chapter
1	Introduction	1*
2	Forecasting Financial Statements	9
3	Cost of Capital	10
4	Corporate Value	11*
5	Valuation Issues	D23
6	Risk Analysis	13
Break		
7	Real Option	14
8	Mid Session Exam During Class Hours	Week 1-6 Lectures
9	IPO I	18*
10	IPO II	*
11	Seasoned Equity Offering	20
12	Bankruptcy, reorganization and liquidation	25
13	Mergers and Acquisition	26
14	Review	

* See 7.2 for article references. Electronic links will be provided on WebCT.

This lecture outline is subject to change without prior notice. Students will be able to download the lecture slides from the School of Banking and Finance's website prior the relevant lecture, at the discretion of the lecturer.

9.2 Tutorial program

Tutorials are based on case studies. A case will be presented by a group of students in each tutorial. In addition to the presentation, each group is to hand in to the tutor, a written case report and to provide to each student in the class, a summary of the issues raised in the case presentation. In each tutorial, students are required to form groups of no more than four. Each group will present one case study over the session. A group will be selected to present a case study for the following tutorial. Students will be graded as a group. Students are assessed on their ability to demonstrate their understanding of the problem, their analytical skills and presentation. The rest of the tutorial class will be assessed on their interaction with the presenters and their participation in discussion. The presenters of the case are the class leaders. Their role is to explain the case, answer questions from other students during class and promote discussion of the issues. The groups that are not presenting are expected to meet to discuss the issues in the case and prepare the numerical solutions. **All** groups are expected to have discussed the case and completed the numerical solutions for each case.

Questions for each case will be on the subject web page.

Please acquire these cases from Harvard Business Online after you have attended the first Tutorial. Web links to these cases are shown below.

Week	Topic
2	Introduction to case analysis
4	Cost of Capital: Marriott Corp http://harvardbusinessonline.hbsp.harvard.edu/b01/en/common/item_detail.jhtml;jsessionid=2BSCD5K3APRVOAKRGWCB5VQBKE0YOISW?id=298101
6	Valuation: Laura Martin http://harvardbusinessonline.hbsp.harvard.edu/b01/en/common/item_detail.jhtml;jsessionid=2BSCD5K3APRVOAKRGWCB5VQBKE0YOISW?id=201004
10	Start Up: Digital Everywhere + Supplements http://harvardbusinessonline.hbsp.harvard.edu/b01/en/common/item_detail.jhtml;jsessionid=2BSCD5K3APRVOAKRGWCB5VQBKE0YOISW?id=298099
12	Initial Public Offerings: Boston Beer http://harvardbusinessonline.hbsp.harvard.edu/b01/en/common/item_detail.jhtml;jsessionid=2BSCD5K3APRVOAKRGWCB5VQBKE0YOISW?id=298099

[ISW?id=196138](#)

- 14 Mergers and Acquisitions: Philip Morris and Kraft Inc

[http://harvardbusinessonline.hbsp.harvard.edu/b01/en/common/item_detail.jhtml;jsessionid=2BSCD5K3APRVOAKRGWCB5VQBKE0YOISW?id=289045](#)

10. About the Instructors

Kingsley Y. Fong

Kingsley Y. Fong is a senior lecturer in the School of Banking and Finance at The University of New South Wales. Dr. Fong's research interests and expertise encompasses market microstructure, investment management and trading strategies. He presented his research in various conferences in America, Europe, Asia and Australia. Dr. Fong has published articles in the Journal of Empirical Finance, Pacific Basin Finance Journal, International Review of Finance, Journal of International Financial Markets, Institution and Money, Journal of Alternative Investments and Advances in Pacific Basin Financial Markets. He referred for Journal of Empirical Finance, Australian Journal of Management, European Journal of Finance, Journal of Multinational Financial Management, and Journal of International Financial Markets, Institutions and Money.

Dr Fong is a CFA and graduated with a Ph.D. in finance from the School of Business at The University of Sydney in 2002.