



Sungkyunkwan University (SKKU) International Summer Semester (ISS) 2017
"New Experience, New Engagement"

Corporate Finance

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SHORT COURSE DESCRIPTION

In an increasingly globalized world, firms increasingly deal with several stakeholders from all over the world. Combining local knowledge from different countries can create synergies that improve financial analysis and bring insights that make financial forecast less prone to errors.

In this course we will look at companies from a financial perspective. The ultimate goal of corporations is to take on the best possible projects (e.g., a plant expansion) and finance them the best way possible (e.g., issuing debt or equity). The time and uncertainty of investment payoffs make these problems nontrivial and essential for long-term success. Corporate finance answers the following questions:

- (a) Valuation: How can we value and choose projects? What is the value of a company?
- (b) Capital Structure: Should corporations obtain financing? For which projects? How?

The aim is to give you a framework to understand and answer these issues in theory and in practice. We will see how to apply discounted cash flows to value bonds, stocks and other risky projects; we will use estimate a firm's cost of capital and different corporate valuation methods.

READING MATERIALS

Students will receive lecture slides and case studies. Preparation sheets will be posted in advance of each session, outlining the key learning points, required readings and questions for discussion. Students are encouraged and expected to participate and will be "cold-called" to express their views.

COURSE REQUIREMENTS AND GRADING

The course involves a combination of lectures, case studies and discussion of daily news on the Wall Street Journal (WSJ) newspaper. Each class will begin with a 15-20 minute discussion of the cover news in the WSJ newspaper, followed by lectures covering the main topics of the day. Students are encouraged to participate and will be "cold-called" to express their views.

The final week will be spent with students (working in groups) performing a valuation of a global company. Students will collect financial information, make forecasts about future profits and cash-flows and apply different valuation methods. Each group will present their findings and we'll discuss the results.

Students should bring their laptops to class as they will be required to search the internet for information. Grades will be based on class participation, a quiz in week 2, a final exam, and a group presentation about a global stock. Marks will be allocated using the following scheme:

Class Participation: 10%

Group Valuation Project: 40%

Individual Multiple-Choice Final exam: 50%

Please note: All ISS classes are pass/fail, but students can request a letter grade if their home university requires it. SKKU regulations require students to attend at least 80% of all classes in order to pass the course.

COURSE SCHEDULE

– WEEK I –

Tuesday (27 June)

What is Corporate Finance? Types of Firms and stakeholders.
How do corporations create value?

Wednesday (28 June)

Time Value of Money
Net Present Value
Annuities and Perpetuities
Group Work: Time value of the money

Thursday (29 June)

Capital Budgeting: How to Value Projects? / NPV, Break-even periods
Group Work: Capital budgeting exercises

Friday (30 June)

Financial Statements: Balance Sheet and Profit & Loss Statements
Estimating corporate cash-flows
Group Work: Analyzing Apple's financial statements

– WEEK II –

Monday (3 July)

Introduction to Valuation: Multiples

Group Work: Estimating the fair value of Apple and British Petroleum using multiples

Tuesday (4 July)

Case Study: “Volkswagen AG: Valuation in 2009” (please read the case in advance)

Group work: Prepare case’s questions for class discussion

Wednesday (5 July)

Introduction to Valuation: Discounted Cash-Flow Models

Estimating discount rates

Thursday (6 July)

Introduction to Valuation: Discounted Cash-Flow Models (Cont.)

Operational risk vs Financial risk

WACC valuation method

Read Technical Note: “WACC note”

Friday (7 July)

When to invest in a project?

Computing Incremental Cash Flows

Synergies between different projects

Group work: Prepare Tottenham case’s questions

Case Study: “Tottenham Hotspur Plc”, Coval, J., Cohen, L. and Malloy, C. (2008), Harvard Business School case No. 209059.

– WEEK III –

Monday (10 July)

Group work: Company valuation project I: Selecting a firm & Data collection (group work)

Obtaining accounting information and determining set of competitors.

Tuesday (11 July)

Group work: Company valuation project II: Preparing cash-flow estimates and computing cost of capital. Making assumptions about future growth rates

Wednesday (12 July)

Group work: Company valuation project III: Determining company value (group work)

Finish company valuation and prepare your group’s presentation

Thursday (13 July)

Company valuation project: Group presentations

Course review & Summary

Friday (14 July)

Company valuation project: Group presentations

– WEEK IV –

Monday (17 July)
Final Exam