



Korea University International Summer Campus (KU ISC) 2022

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June 28, 2022 ~ August 4, 2022

ISC 305 – Corporate Finance

I. Instructor

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II. Textbook

Required Textbook	:	Corporate Finance, 10 th edition, by Ross, Westerfield, and Jaffe, McGraw-Hill/Irwin (ISBN-10: 0078034779). Note that the current version is the 12th edition, but the 10th and 11th, and Asian editions should be fine as well. I will not use McGraw Hill connect.
Recommended Additional Readings	:	The course covers cases that illustrate and amplify the issues we discuss in class. Four 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 (https://hbsp.harvard.edu/import/838711). 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
Individual case assignments	15 points

V. Class Outline

Date	Topic	Chapter
June 28 (Tue)	Orientation Day (No classes)	
June 29 (Wed)	Course Introduction / Review of Principle of Finance	
June 30 (Thu)	Cost of Capital	13
July 4 (Mon)	Cost of Capital / Marriott	13 / Case 1
June 5 (Tue)	Long-Term Financing	15
June 6 (Wed)	Capital Structure: Basic (part 1)	15
July 7 (Thu)	Capital Structure: Basic (part 1)	16
July 11 (Mon)	Capital Structure: Basic (part 2)	16
July 12 (Tue)	Capital Structure: Limits to the Use of Debt	
July 13 (Wed)	Capital Structure: Limits to the Use of Debt (part 2)	17
July 14 (Thu)	Massey-Ferguson Ltd.—1980 Financing and Valuation	17
July 15 (Fri)	Review Session	Case 2 / 18
July 18 (Mon)	Mid-term exam	
July 19 (Tue)	Financing and Valuation	18
July 20 (Wed)	Financing and Valuation / Payout Policy	18 / 19
July 21 (Thu)	Payout Policy	19
July 25 (Mon)	Issuing Securities	20
July 26 (Tue)	Issuing Securities/ Eskimo Pie Corp	20 / Case 3
July 27 (Wed)	Convertibles	24
July 28 (Thu)	Convertibles / Mergers and Acquisitions	29
Aug 21 (Mon)	Mergers and Acquisitions	
Aug 2 (Tue)	Course Wrap up/ Review Session	
Aug 3 (Wed)	Final exam	
Aug 4 (Thu)	Commencement	

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 a mid-term and a final exam. 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.**

Case Assignments:

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.