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## SYLLABUS

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<b>Date/Revision</b>	12 July 2016
<b>Faculty</b>	Business and Social Sciences
<b>Approval</b>	Dr. Samuel Prasetya

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### SUBJECT : CORPORATE FINANCE

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#### 1. Identification of Subject:

Name of Subject	: Corporate Finance
Code of Subject	: FINA-2000
SKS/ECTS	: 4/3
Semester	: 3
Study Program	: MGT/IBA
Lecturer	: Dr. Satiri, MM, MBA

#### 2. Competency

After having the course, students are expected to:

- Develop in three critical areas: knowledge, skills, and attributes of character.
- Be able to describe the conceptual and computational building blocks of finance that are necessary foundation for professional competence.
- Participate in case studies, placing the students in the position of the decision-maker, promotes confidence and competence in making decisions.
- Be able to build work ethic and persistence; empathy for classmates and decision makers; social awareness of the consequences of decisions and the challenging context for decision makers; and accountability for one's work.

#### 3. Description of Subject:

The main topics to be covered are:

- Analysis of financial statements
- Time value of money, interest rates
- Bond and their valuation
- Risk and rates of return
- Stock and their valuation
- The cost of capital
- The basic of capital budgeting
- Cash flow estimation and risk analysis
- Capital structure and leverage
- Distribution to shareholders: dividends and share repurchase
- Working capital management
- Derivatives and risk management

- Multinational financial management
- Hybrid financing: preferred stock, leasing, warrants, and convertible
- Mergers and acquisitions

#### 4. Learning Approach

Approach : Combination of Expository - inquiry and collaborative  
 Method : Discussions, questions/answers, sample problems/cases, group works  
 Student Task : Home work, presentation  
 Media : LCD projector

#### 5. Evaluation

Maximum absences : 25%  
 Projects (individual & group) : 20 points  
 Presentation : 10 points  
 Quizzes : 10 points  
 Final Examination : 60 points  
 Total : 100 points

#### 6. Contents/Topics of Lecturing

Week	Topics	Content	Remarks
1	<b>Introduction session &amp; analysis of financial statements</b>	<ul style="list-style-type: none"> <li>• Forms of business organization</li> <li>• Main financial goal</li> <li>• Stockholder-manager conflicts</li> <li>• Business ethics</li> <li>• Liquidity ratio</li> <li>• Asset and debt management ratio</li> <li>• Profitability ratio</li> <li>• Market value ratio</li> <li>• DuPont equation</li> <li>• Using financial ratio to assess performance</li> <li>• Case: The financial detective, 2005</li> </ul>	<p>Group formation</p> <p>Group Topic selections for Group writing project</p>
2	<b>Risk and rates of return &amp; financial planning and forecasting</b>	<ul style="list-style-type: none"> <li>• The risk-return trade-off</li> <li>• Stand-alone risk</li> <li>• Risk in a portfolio context: The CAPM</li> <li>• The relationship between risk and rates of return</li> <li>• Strategic planning</li> <li>• The sales forecast</li> <li>• Forecasted financial statement</li> </ul>	

Week	Topics	Content	Remarks
		<ul style="list-style-type: none"> <li>Using the yield curve to estimate future interest rate</li> <li>Case: The boeing 7E7 &amp; Value line publishing: October 2002</li> </ul>	
3	<b>Time value of money</b>	<ul style="list-style-type: none"> <li>Future values</li> <li>Present values</li> <li>Finding interest rate and number of years</li> <li>Annuities: ordinary annuities and annuity due</li> <li>Perpetuities</li> <li>Case: Nike, Inc.: cost of capital</li> </ul>	<b>Quiz 1</b>
4	<b>Bond and their valuation</b>	<ul style="list-style-type: none"> <li>Key characteristic of bonds</li> <li>Bond valuation</li> <li>Bond yields</li> <li>Changes in bond values over time</li> <li>Bonds with semi-annual coupons</li> <li>Assessing a bond's riskiness</li> <li>Bond markets</li> <li>Case: Worldwide paper company</li> </ul>	
5	<b>Stock and their valuation</b>	<ul style="list-style-type: none"> <li>Type of stock</li> <li>Discounted dividend model</li> <li>Stock price and intrinsic value</li> <li>Enterprise-based approach valuation</li> <li>Case: American greetings</li> </ul>	<b>Quiz 2</b>
6	<b>The basic of capital budgeting &amp; Cash flow estimation and risk analysis</b>	<ul style="list-style-type: none"> <li>Net present value</li> <li>Internal rate of return</li> <li>Reinvestment rate assumption</li> <li>Payback period</li> <li>Decision criteria used in practice</li> <li>Conceptual issues in cash flow estimation</li> <li>Analysis of expansion project</li> <li>Replacement analysis</li> <li>Risk analysis in capital budgeting</li> <li>Measuring stand-alone risk</li> <li>Case: Victoria chemicals plc (B): the merseyside and rotterdam projects</li> </ul>	
7	<b>Evaluation from previous discussion and chapters</b>		

Week	Topics	Content	Remarks
8	Semester break		
9	The cost of capital & Capital structure and leverage	<ul style="list-style-type: none"> <li>Weighted average cost of capital</li> <li>Cost of debt</li> <li>Cost of preferred stock</li> <li>Cost of retained earnings</li> <li>Cost of new common stock</li> <li>Book, market or target weights</li> <li>Business and financial risk</li> <li>Determining the optimal capital structure</li> <li>Capital structure theory</li> <li>Case: Roche holdings AG: funding the Gnetech acquisition</li> </ul>	Draft III
10	Distribution to shareholders: dividends and share repurchases & Working capital management	<ul style="list-style-type: none"> <li>Dividend versus capital gains</li> <li>Establishing the dividend policy in practice</li> <li>Current asset financing policies</li> <li>Cash budget</li> <li>Inventories</li> <li>Accounts receivable</li> <li>Account payable</li> <li>Case: Auto zone, Inc.</li> </ul>	Quiz 3
11	Derivatives and risk management	<ul style="list-style-type: none"> <li>Reasons to manage risk</li> <li>Background on derivatives</li> <li>Options</li> <li>Forward and Futures contracts</li> <li>Other types of derivatives</li> <li>Using derivatives to reduce risk</li> <li>Risk management</li> <li>Case: Carrefour S.A.</li> </ul>	
12	Multinational financial management	<ul style="list-style-type: none"> <li>Multinational, or global, corporations</li> <li>Multinational versus domestic financial management</li> <li>The international monetary system</li> <li>Inflation, interest rates, and exchange rates</li> <li>International money and capital markets</li> <li>International capital budgeting</li> <li>Case: Target corporation</li> </ul>	Quiz 4
13	Hybrid financing: preferred	<ul style="list-style-type: none"> <li>Preferred stock</li> </ul>	

Week	Topics	Content	Remarks
	<b>stock, leasing, warrants, and convertibles</b>	<ul style="list-style-type: none"> <li>• Leasing</li> <li>• Warrants</li> <li>• Convertibles</li> <li>• A final comparison of warrants and convertibles</li> <li>• Reporting earnings when warrants or convertibles are outstanding</li> <li>• Case: Gainesboro machine tools corporation</li> </ul>	
14	<b>Mergers and acquisitions</b>	<ul style="list-style-type: none"> <li>• Rationale for mergers</li> <li>• Type of mergers</li> <li>• Level of merger activity</li> <li>• Hostile versus friendly takeovers</li> <li>• Merger analysis</li> <li>• The role of investment bankers</li> <li>• Corporate alliances</li> <li>• Private equity investments</li> <li>• Divestitures</li> <li>• Case: Sun Microsystem</li> </ul>	<b>Quiz 5</b>
15	<b>Review chapters for final exams &amp; group projects</b>		
16	<b>Semester break</b>		
17	<b>Final Examination</b>		

## 7. Book Reference:

- a) Main Textbook (I) : Brigham, Eugene, Joel F. Houston, Hsu Jun-Ming, Kong Yoon Kee, and A. N. Bany-Arfin (2014), *Essentials of Financial Management*, 3<sup>rd</sup> Edition, Cengage Learning Asia Pte, Ltd, Singapore. ISBN # 978-981-4441-37-7
- b) Main Textbook (II): Bruner, Robert F., Eades, Kenneth M., and Schill, Michael J. (2014), *Case Studies in Finance*, 7<sup>th</sup> Edition, McGraw-Hill, Irwin. ISBN#978-1-259-07094-5
- c) Additional Reference:  
Hand-outs & Journal articles