

2021_S02_PGE_M1_FIN_0001_E_L_BOD

CORPORATE FINANCE

Semester 2, 2020 – 2021

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COURSE DELIVERABLE	DUE DATE	WEIGHT ON FINAL GRADE
Final Exam (Individual)	Session 10	100%

Kedge Business School and its professors, encourage you to use your Pro-Acts, company projects and internships as privileged opportunities to apply the reflexions, theories, concepts and tools presented during this course

KEDGE BUSINESS SCHOOL

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INTRODUCTION AND OBJECTIVES***Course Purpose & Objectives***

This course is designed to provide students with a practical approach to the main corporate financial decisions. The philosophy of this course may be summarized in the following statement: "*Bridging theory and practice*". Case studies in corporate finance provide the reality of financial decision making. That explains why case study-based teaching is used here.

The great interest of case-based classes is to challenge students by bringing them as close as possible to corporate finance decision-making situations of the real world. As such, they provide financial management lessons that students can put into practice in their professional lives.

Specifically, this course revolves around the implication of the main strategic financial decisions on the value of the firm:

- Estimating the cost of capital
- Valuing projects and stocks
- Raising new funds to undertake investments
- Returning cash to shareholders
- Signaling with payout policy

Courses contribution to program objectives**KM1. Understand and Integrate Core Management Disciplines**

Money is probably the only raw material used by any business in any industry. All managers regularly spend money, whatever their area of responsibility. An understanding of **why** and **how** financial decisions are made is thus essential. The focus of this course is to show every student how to "*think finance*". To be successful, students need to master the core concepts and learn to identify and solve problems that financial managers face. The focus of this course targets the KM1 learning goal in a most relevant manner.

KM8: Provide Value to the Business Community in a chosen Area of Specialization

The value of economic profit is to remind managers that they have not really made a profit until they have earned an economic return on the capital they use. This simple intuition is a powerful and useful tool in financial decision making. By relying on it, future financial managers can avoid the bad decisions. At the heart are the essential intellectual tools students need to differentiate between good and bad decision making. In this sense, this course contributes to the KM8 learning goal without doubt.

Course Contribution to Application of Critical Thinking

The case method immerses students into realistic business situations and places them in the role of the decision maker. There are no simple solutions. Through the dynamic process of exchanging perspectives, countering and defending points, and building on each other's ideas, case studies stimulate students' thinking and encourage discussion. As a result, students become adept at analyzing issues and exercising judgment.

Courses description

Evaluating financial health – Cost of capital – Business valuation – Investment decision techniques – Initial Public Offerings (IPO) – Capital increases (SEO) – Capital structure policy – Share Buybacks – Dividend policy – Value creation.

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COURSE MATERIAL

All course material (case studies, slides, Excel spreadsheets, and exercises) is available on *KedgeBS LEARN* and should be downloaded before each corresponding session.

Textbooks

1. Berk, J., and DeMarzo P. (2017), *Corporate Finance*, 4th edition, Pearson. Available at the campus library – *La Ruche*.
 - ➔ eBook (edition 2016) available on **Dawsonera** via the campus library – *La Ruche* website: <https://library.kedge.edu>.
2. Vernimmen, P., Quiry, P., Dallochio, M., Le Fur, Y., & Salvi, A. (2018). *Corporate Finance, Theory and Practice*, 5th edition. John Wiley & Sons. Available at the campus library – *La Ruche*.
 - ➔ eBook (edition 2017) available on **Dawsonera** via the campus library – *La Ruche* website: <https://library.kedge.edu>.

Websites

1. The *Corporate Finance Handbook* by Berk and DeMarzo (see **Textbooks** above) is available with **MyFinanceLab** at www.myfinancelab.com, a fully integrated homework and tutorial system.

MyFinanceLab provides Online Assessment Using End-of-Chapter Problems. The values in the problems are algorithmically generated, giving students many opportunities for practice and mastery.
2. The *Corporate Finance, Theory and Practice Handbook* by Vernimmen et al. (see **Textbooks** above) is available with the Vernimmen's website at www.vernimmen.com. It provides:
 - Tools: formulas, tables, statistics, lexicons, glossaries, financial figures for more than 16 000 European and North American listed companies.
 - Resources that supplement the book: an Excel file providing detailed solutions to all of the problems set in the book: summaries of recent and interesting research papers, articles, prospectuses of financial transactions, thesis topics, and thematic links.
 - Problems, case studies, quizzes for testing and improving your knowledge.

SUPPLEMENTARY READINGS

The **Vernimmen.com Newsletter**. This letter is sent out free of charge via the Internet every month to those who have subscribed on www.vernimmen.com. It provides:

- A conceptual approach to a current corporate finance topic.
- Statistics and tables that updates the data in the book *Corporate Finance, Theory and Practice* (see **Textbooks** above), and which you may find useful in your daily practice of corporate finance.
- A review of an article on financial research, with a concrete dimension.

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COURSE CONTENTS AND TIMETABLE

SESSIONS	TOPIC	PRELIMINARY READING(S AND ASSIGNMENTS	ADDITIONAL READING(S) AND ASSIGNMENTS
Session 1 (2 x 1h30)	Financial Statements	Read: Slides dealing with topic of “Financial Statements”	
Session 2 (2 x 1h30)	Financial and Stock Market Analysis	Read: The case study untitled “Carrera” and course slides dealing with Financial and Stock Market Analysis	To be done: Exercises dealing with “Stock Market Analysis”
Session 3 (2 x 1h30)	Seasoned Equity Offering (SEO)	Read: The case study untitled “Toyota” and course slides dealing with topic of SEO.	
Session 4 (2 x 1h30)	Valuation of equity and Initial Public Offering (IPO) – Part I	Read: Slides dealing with topic of “Time Value of Money”	To be done: Exercises dealing with “Time Value of Money” .
Session 5 (2 x 1h30)	Valuation of equity and Initial Public Offering (IPO) – Part II	Read: The case study untitled “NetLedger” and slides linked with topic of IPO.	
Session 6 (2 x 1h30)	Internal Financing, Dividend Policy, Share Buyback	Read: The case study untitled “Nike”	

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		and slides linked with topic of Share Buyback.	
Session 7 (2 x 1h30)	Capital Budgeting Decisions – Part I	Read: The case study untitled “Wee infant milk formula” and slides linked with topic of Capital Budgeting Decisions.	
Session 8 (2 x 1h30)	Capital Budgeting Decisions – Part II	Read: The case study untitled “Capital Budgeting: Applications of Investment Decision Techniques”	
Session 9 (2 x 1h30)	Mentoring session		
Session 10 (3h)	Final Exam		

CASE STUDIES IN CORPORATE FINANCE

TEACHING APPROACH/ INSTRUCTIONAL METHODS

A Word of Advice

This course is mainly dedicated to students who have a background in Corporate Finance. Specifically, **to really benefit from this course, students should know some basics about:**

- 1- Discounting.
- 2- Financial statements of a company (balance sheet, income statement, cash flows statement).
- 3- Profitability, efficiency, and liquidity ratios.
- 4- The Weighted Average Cost of Capital (WACC) concept and measurement.
- 5- The Capital Asset Pricing Model (CAPM).
- 6- The key parameters used in analyzing stocks (Price to Book ratio, Price/Earnings or P/E ratio, dividend yield per share, payout ratio).
- 7- The Net Present Value (NPV) decision rule.
- 8- The efficiency of financial markets.

Organization of the sessions

To get the most out of cases, students must read and reflect on the case study, and should meet in working teams before class to discuss their findings with other classmates. This classroom interaction is enriched by classmates from diverse backgrounds and experiences. This requires students and the professor to work closely together.

Students place themselves in the role of the decision maker. In class – under the questioning and guidance of the professor – students perform the necessary analysis, probe underlying issues, and compare different alternatives.

Individual Assignments

Final Exam (100% of the final grade). The final exam is scheduled for **three hours**. Typically, the format of the final exam includes multiple-choice quizzes (MCQ), and/or binary-choice quizzes (Right or Wrong), and/or numerical exercises to be solved, and/or questions based on a case study.

Group work

Non Applicable

EVALUATION OF STUDENT PERFORMANCE

The overall objective is to test the students' understanding of corporate finance. To put it differently, the aim of the individual assignment (final exam) is to check whether students have improved their ability to "**think finance**".

DELIVERABLE	%
Final Exam (written)	100

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Methods Used to Evaluate Student Performance**Individual Assignments (100%)***Assessment Criteria*

Rubric	<i>Below Requirements</i>	<i>Meets Requirements</i>	<i>Exceeds Requirements</i>
Reasoning (1/3)	Unable to put the financial reasoning and judgment into practice	Make the right financial decision in 70 to 80% of the time	Make always the right financial decision
Understanding of core concepts (1/3)	Misunderstanding of the core concepts – Wrong interpretation of results or statements	Interpret between 70% and 80% of the results and/or statements correctly	Interpret more than 80% of results and/or statements correctly
Calculation (1/3)	Unable to perform calculations – Misunderstanding of the calculation equations	Between 70% and 80% of calculations are exact	More than 80% of calculations are exact

Frantz MAURER



BIOGRAPHY

Frantz MAURER, PhD, is Full Professor of finance at KEDGE Business School. During the last 20 years, he has collaborated with different institutions such as the University of Bordeaux, ESCP Europe, and HEC Paris. Frantz has collaborated extensively with large financial institutions in the domain of risk management and the use of data and analytics to better predict crisis and abnormal situations. He is the author of several publications on risk management, which includes a Harvard Business School Industry and Background note.

Jeanne METIVIER



BIOGRAPHY

Jeanne METIVIER, PhD, is Assistant Professor of Finance and Economics at KEDGE Business School. Her research activities focus on international trade and trade conflicts among members of the World Trade Organization. Jeanne has been involved in several impact assessments and *ex post* evaluations for the European Commission as an Associate Researcher for CEPS. She publishes articles in peer-reviewed journals and acts as a reviewer for academic journals.

ACADEMIC FRAUD

Definition

Academic fraud is a breach of ethics.

“Is achieved using unfair means or deception, to obtain material or undue moral advantage, or with the intent to avoid the enforcement of laws”. (Translated from the original source: Dictionnaire Juridique des Lois, 2010, available at: www.dictionnaire-juridique.com/definition/fraude/php)

Plagiarism consists of attributing authorship by (partial or total) copying, imitation or misappropriation.

The act of fraud is committed by one or more students/participants when they:

- appropriate written or oral work to themselves when they are not the author (in whole or in part) of the work, by omitting any references or quotations to the author or to the owner of the work;
- present any data that has been falsified or invented in any way;
- use the identity of the author, attributing the contents of and/or a resource to him/her, but without explicitly mentioning that they are not the author;
- appropriate the creative work of someone else and present it as their own;
- acquire exerts of texts, images, results etc. from external sources by including them in their own work without mentioning the origins of the exerts;
- summarise the original idea of an author by expressing it in their own words but omit quoting the source;
- cheat in an academic evaluation.

Plagiarism can occur in:

- an academic article or book;
- an exercise or a case study;
- a study or a report;
- a dissertation or a thesis;
- any document of which the student/participant is not, but purports to be the author.

Sanctions

Any student/participant having committed academic fraud, or having participated in it, will be sanctioned by the professor in charge of the course. The professor can apply 1st and 2nd level sanctions (detailed below). The professor will send a copy of the sanction to the student’s/participant’s programme. The student/participant will be informed/and or convoked by the programme director (or his/her representative) to a hearing prior to the possible convening of the Kedge Business School Disciplinary Council. In the case of a hearing of the Disciplinary Council, they can decide to apply 3rd and 4th level of sanctions.

Any student/participant guilty of academic fraud will receive one of the following sanctions:

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- Applied by the professor in charge of the course, Kedge Business School faculty member (1st and 2nd level):
 - A grade of zero for the work concerned and a formal warning;
 - A grade of zero for the course or module concerned and a formal warning.
- Applied by Kedge Business School's Disciplinary Council (3rd and 4th level):
 - Suspension from the programme for one or two semesters;
 - Exclusion from the programme.

N.B.: Plagiarism within a partner institution can result in these sanctions being applied by Kedge Business School, notwithstanding partner's decision.