King Saud University

College of Business Administration

Finance Department

FIN 210 - Corporate Finance Syllabus

**Instructor:** Nouf Alabdulkarim

**Office:** Business building, Finance department, office#26

**Office hours:** 12- 2 Sunday, Tuesday, Thursday or by appointment

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**Course Description**:

This course applies corporate finance concepts to make management decisions. Students learn methods to evaluate financial alternatives and create financial plans in order to get the optimal capital structure. The course also sheds light on important issues in corporate finance from the viewpoint of financial managers who are accountable for making considerable investment and financing decisions.

The concept of net present value, suitably adapted to account for taxes, uncertainty, and strategic concerns, is used to analyze how investment and financing decisions interact to shape the value of the firm. A large segment of the lessons cover capital budgeting decisions. Emphasis is placed on the interaction of taxes and the cost of capital. Topics covered in this outline will include leasing and buying decisions.

The course also includes a conduct of dividend policy, the CAPM, and capital market efficiency, as they relate to the value-maximization objective of the firm.

**Required Text:**

Fundamentals of Corporate Finance – 9edition - Ross / Westerfield/Jordan (RWJ) ISBN: 9780077134198

**Evaluation Criteria:**

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| --- | --- | --- | --- |
| **Assessment Task** | **Marks** | **Dates** | **WEIGHTAGE** |
| Midterm 1 | 25 | NOV 5th- 2015 | 25% |
| Midterm 2 | 20 | Dec 3rd - 2015 | 20% |
| Assignments and mini projects | 10 | During the semester | 10% |
| Attendance & participation | 5 |  | 5% |
| Final Exam | 40 | TBA | 40% |
| Total | 100 |  | 100% |

**NOTE: A MAKE-UP EXAM WILL BE GIVEN ONLY ONCE. IT WILL TAKE PLACE AFTER THE SECOND MIDTERM EXAM AND IT WILL COVER THE WHOLE CURRICULUM.**

**Class Policies:**

* Cell-phones are on silent.
* No **PLAGIARISM** (copy & paste)
* You are expected to attend ALL class sessions
* You are expected to respect the instructor and your classmates
* Participation is appreciated.

**Class schedule:**

|  |  |  |
| --- | --- | --- |
| **Topic** | **Chapter** | **Week** |
| **INTRODUCTION TO CAPITAL STRUCTURE**  A. Forms of capital  B .Raising Capital  Procedure for raising capital - public issue ,right issue and debt | Introduction  Chapter 15 | Week 2  30 Aug-  Sep 3 |
| B .Raising Capital  Procedure for raising capital - public issue ,right issue and debt | Chapter 15 | Week 3  Sep 6  Sep10 |
| **FINANCING & VALUATION**   * Cost of capital - computation of cost of equity --- Problems – * Computation of cost of debt - Problems | Chapter 14 | Week 4  Sep13  Sep17 |
| HAVE FUN ☺ | EID BREAK | **Week 5**  20 Sep  28 Sep |
| Cont. Ch14   * Computation of Weighted Average Cost of Capital (WACC) * WACC -Problems | Chapter 14 | Week 6  29 Sep  Oct 1 |
| **INTRODUCTION TO CAPITAL BUDGETING**  -Introduction to chapter 9  a. Concept & Importance  b. Techniques | Chapter 9 | Week 7  Oct 4  Oct 8 |
| C. NPV, PB - Problems - Class Work  IRR, PI - Problems - Class Work  Capital Budgeting Issues - Problems - Class Work  **MIDTERM #1** | Chapter 9 | Week 8  ct 11O  Oct 15 |
| **PROJECTANALYSIS AND EVALUATION**   * Evaluating NPV estimates. * Scenario and other What if analysis * Break even analysis | Chapter 11 | Week 9  Oct 18  Oct 22 |
| * Operating cash flow, sales volume, and break even * Operating leverage * Capital rotioning | Chapter 11 | Week 10  Oct 25  Oct 29 |
| **CAPITAL STRUCTURE & FIRM VALUE**  a. Financial Leverage & Capital Structure  b. Effect of Leverage  c. Modigliani & Miller Proposition (MM) | Chapter 16 | Week 11  Nov 1  Nov 5 |
| MM - Contd……  Leverage – Problems  **OPTIMAL CAPITAL STRUCTURE**  Pecking order of financing choices | Chapter 16 | Week 12  Nov 8  Nov 12 |
| **MAKING CAPITAL INVESTMENT DECISIONS**  a. Introduction  **MIDTERM#2** | Revision  assin Case study  Chapter 10 | -- -Week 13  -Nov 15  Nov 19  ---- |
| B. Pro Forma Financial Statements | Chapter 10 | Week 14  Nov 22  Nov 26 |
| **DIVIDEND THEORY**  a. Introduction  b. Types | Chapter 17 | Week 15  Nov 29  Dec 3rd |
| c. Relevance of Dividend Policy  d. Alternatives to Dividend payments | Chapter 17 | Week 16  Dec 6  Dec10 |
| REVISION |  | Week 17  Dec 13  Dec 17 |

Course Effectiveness Matrix:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assessment** | **Teaching strategies** | **Week** | **Linked to program Learning Outcomes (PLO)** | **Course Learning Outcomes (CLO)** |
| **Midterm “1**”   * MCQ * TRUE & FALSE * PROBLEM SOLVING | * Presentation * Discussion | 2 | LG5 : OB5.1 | 1-Recognise corporate financial decisions.  “knowledge” |
| **Midterm “1”**   * MCQ * TRUE & FALSE * PROBLEM SOLVING | * Presentation * Discussion * Group & individual exercise | 3+4+5 | LG2: OB2.1 | 2- Identify good Financial decisions  “comprehension” |
| **Midterm “2”**   * MCQ * TRUE & FALSE * PROBLEM SOLVING | * Presentation * Discussion * Group & individual exercise | 10+11 | LG6 : OB6.1 | 3- Point out, analyze and solve problems  “analysis + application” |
| **Midterm “2**”   * MCQ * TRUE & FALSE * PROBLEM SOLVING | * Presentation * Discussion | 7+8+16 | LG6 : OB6.2 | 4- Use and apply theories  “application” |
| **Final exam**   * MCQ * TRUE & FALSE * PROBLEM SOLVING | * Presentation * Discussion * Group & individual exercise | 13+14+15 | LG2 : OB2.2 &  LG1 : OB1.1 & OB1.2 | 5- prepare, explain and defend opinions positively  “Synthesis + Evaluation” |