

**UNIVERSITY OF HAWAI'I AT MANOA**  
Shidler College of Business

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| FIN 307 -1 Business Finance, Spring 2021                      | Professor Joonho Kim |
| Class Meetings: 1:30-2:45PM Tuesdays & Thursdays              | E602-K, 956-7276     |
| Classroom: Online via Zoom                                    | joonhok@hawaii.edu   |
| Office Hours: 3-4pm Tuesdays and Thursdays, or by appointment |                      |

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**Course Prerequisites:**

BUS 314, or consent.

**Course Objectives:**

Corporate Finance is an application of a set of simple, powerful ideas. Valuation drives decision making. The firm should take projects for which the value of the benefits exceeds the value of the costs. This course aims to provide students with intermediate-level training in analyzing corporate fundamentals with emphasis on financial statement analysis and corporate valuation. Topics covered include financial statement analysis, growth management, financing decisions, capital budgeting, project and firm valuation.

**Textbooks and materials:**

- Primary: Berk, DeMarzo, and Harford, **Fundamentals of Corporate Finance**, Pearson/Prentice-Hall, 5<sup>th</sup> edition.
- Secondary 1: Higgins, **Analysis for Financial Management**, McGraw Hill, 11<sup>th</sup> edition
- Secondary 2: Berk and DeMarzo, **Corporate Finance**, Pearson/Prentice-Hall, 4<sup>th</sup> edition.
- Access to MyFinanceLab is required.
- Class slides and handouts will be available on Laulima before each class.
- A financial calculator is required. (Suggested model: Texas Instruments BA II Plus)

It is highly recommended that you subscribe to *the Wall Street Journal* (or any finance/economics related periodicals) to understand what is going on in the US and international financial markets. Please take about an hour every day to read it.

**Grading Structure:**

|                              |                |           |
|------------------------------|----------------|-----------|
| 4 Take-home assignments      | 6 points each  | 24        |
| 7 End-of-chapter assignments | 3 points each  | 21        |
| 2 Midterms                   | 15 points each | 30        |
| Final exam                   | 25 points      | 25        |
|                              |                | 100 total |

I grade on a curve with letter grades based on the final course cumulative score. The distribution of the course grades may look close to the following:

| Grade | Percentage      | Grade | Percentage | Grade       | Percentage |
|-------|-----------------|-------|------------|-------------|------------|
| A+    | Top 5% of class | A     | Next 10%   | A-          | Next 15%   |
| B+    | Next 20%        | B     | Next 15%   | B-          | Next 15%   |
| C+    | Next 10%        | C     | Next 5%    | C- or below | Next 5%    |

### **Course Operation:**

The course meets twice a week, on Tuesdays and Thursdays via Zoom. To get the most out of the lectures, read the slides and the related textbook chapters before the class. **The slides are not a substitute for coming to class.** There will be materials that you will be responsible for that is not covered in the slides. All materials that I hand out in class and some additional materials will be available on Lulima. To download the files, log on to *lulima.hawaii.edu*, using your UH username and password.

### **Take-home Assignments:**

There will be **4 take-home assignments**. Each take-home assignment will count for 6% of your final grade. I will announce the details of the assignments later in the semester.

### **End-of-Chapter Assignments:**

I will give 7 end-of-chapter assignments through MyFinanceLab. You will be given one week to complete each assignment from the time it was assigned to you. Each assignment will count for 3% of your final grade.

### **Exams:**

There will be 2 midterm exams and a final, all of which will be given via Lulima. Midterm exams will be given during the normal class period. Final will be given during the final exam period. The exams will consist of multiple-choice questions. The exams will be open book and financial calculators will be allowed during the exams. The exams are not cumulative. However, the material covered for the earlier exams provides a framework for understanding the material in the remainder of the course.

Make-up exams can only be given under unusual circumstances. If there is a reason you cannot take an exam as scheduled, you must make arrangements **before** the exam. In order to be able to make special exam arrangements, you have to thoroughly explain the circumstances to me and produce proper documents that are prepared and signed by a third-party. Unless approved in advance, no make-up exam will be given.

**Familiarity with the financial calculator** (Recommended: Texas Instruments BA II Plus):

Please bring your financial calculator to every class. Students should become completely familiar with the use of their calculators. In addition to the classroom instruction, a good way to improve proficiency is to go through the entire financial section of the calculator user manual, or go through the calculator tutorial in MyFinanceLab. The user manual is also available on-line.

### **Ethical Issues in Finance:**

Students will review and discuss Codes of Ethics for financial planners and financial analysts. The importance of the fiduciary role, client confidentiality and the role of an agent will be explored. Students will analyze actual ethical problems that have arisen in financial institutions/markets and hypothetical cases involving ethical issues in a business financial setting.

### **Office Hours:**

I have scheduled office hours so that you can be sure that I will be in my office if you make the effort to come see me. My formal office hours are Tuesdays and Thursdays from 3 to 4 pm. If you need to see me, but cannot attend my scheduled office hours, please e-mail, call, or see me after class for an appointment. **I cannot emphasize this more, but if you have difficulties in understanding the course material, please let me know early.** I am committed to working with you and to provide resources to help you succeed in this course.

### **Academic Dishonesty:**

Instances of academic dishonesty, as defined by the University Student Conduct Code ([http://www.studentaffairs.manoa.hawaii.edu/policies/conduct\\_code](http://www.studentaffairs.manoa.hawaii.edu/policies/conduct_code)), will not be tolerated and any instance of academic dishonesty may result in a grade of "F." Further disciplinary sanctions may also be imposed by the Dean of Students in accordance with the fore-mentioned Student Conduct Code.

### **Dropping the Class:**

For deadlines and information, check [www.hawaii.edu/myuh/manoa](http://www.hawaii.edu/myuh/manoa).

### **Disability Access:**

Students with disabilities are encouraged to contact the KOKUA Program for information and services. Services are confidential and students are not charged for them. Contact KOKUA at 956-7511 (voice/text), [kokua@hawaii.edu](mailto:kokua@hawaii.edu), or Student Services Center, Room 13.

## Class Schedule:

Adjustments to the schedule or assignments, should they be necessary, will be announced in class.

\*BDH: Berk, DeMarzo, Harford | H: Higgins | BD: Berk, DeMarzo

| Session  | Date / Day    |              | Topics  | Readings*         | Class Slides |
|--|---------------|--------------|---|-------------------|--------------|
| 1  | 12-Jan        | Tues         | Syllabus, Introduction                            | BDH: 1   H: 1     | Slides 1     |
| <b>Module 1: Evaluating Financial Performance</b>          |               |              |   |                   |              |
| 2  | 14-Jan        | Thurs        | Review of Financial Statements                    | BDH: 2,19   H: 1  | Slides 1     |
| 3  | 19-Jan        | Tues         | Return on Equity (ROE) and financial ratios       | BDH: 2,19   H: 2  | Slides 2     |
| 4  | 21-Jan        | Thurs        | Financial ratios, continued                       | BDH: 2,19   H: 2  | Slides 2     |
| 5  | 26-Jan        | Tues         | Ratio analysis                                    | BDH: 2,19   H: 2  | Slides 2     |
| <b>Module 2: Financial forecasting</b>                     |               |              |   |                   |              |
| 6  | 28-Jan        | Thurs        | Pro Forma statements                              | BDH: 18   H: 3    | Slides 2     |
| 7  | 2-Feb         | Tues         | Percent-of-sales forecasting                      | BDH: 18   H: 3    | Slides 3     |
| 8  | 4-Feb         | Thurs        | Percent-of-sales forecasting, continued           | BDH: 18   H: 3    | Slides 3     |
| 9  | 9-Feb         | Tues         | Percent-of-sales forecasting, continued           | BDH: 18   H: 3    | Slides 3     |
| 10   | 11-Feb        | Thurs        | Managing growth                                   | BDH: 18   H: 4    | Slides 3     |
| 11   | 16-Feb        | Tues         | Managing growth                                   | BDH: 18   H: 4    | Slides 3     |
| <b>12</b>  | <b>18-Feb</b> | <b>Thur</b>  | <b>Midterm I</b>                                  |                   |              |
| <b>Module 3: Financial policy and Investment decisions</b> |               |              |   |                   |              |
| 13   | 23-Feb        | Tues         | Debt and equity decisions                         | BDH: 14,15   H: 5 | Slides 4     |
| 14   | 25-Feb        | Thurs        | Financial leverage and risk                       | BDH: 16   H: 6    | Slides 4-5   |
| 15   | 2-Mar         | Tues         | Costs and benefits of financial leverage          | BDH: 16   H: 6    | Slides 5     |
| 16   | 4-Mar         | Thurs        | Review of time value of money                     | BDH: 8   H: 7     | Slides 6     |
| 17   | 9-Mar         | Tues         | Capital budgeting: Decision rules I               | BDH: 8   H: 7     | Slides 6     |
| 18   | 11-Mar        | Thurs        | Decision rules, continued                         | BDH: 8   H: 7     | Slides 6     |
|  | 16-Mar        | Tues         | No class: Spring recess                           |                   |              |
|  | 18-Mar        | Thurs        | No class: Spring recess                           |                   |              |
| 19   | 23-Mar        | Tues         | Mutually exclusive projects and capital rationing | BDH: 8   H: 7     | Slides 6     |
| <b>20</b>  | <b>25-Mar</b> | <b>Thurs</b> | <b>Midterm II</b>                                 |                   |              |
| <b>Module 4: Cost of capital and Business valuation</b>    |               |              |   |                   |              |
| 21   | 30-Mar        | Tues         | Capital budgeting exercise                        | BDH: 9   H: 7     | Slides 7     |
| 22   | 1-Apr         | Thurs        | Cost of equity and debt capital                   | BDH: 13   H: 8    | Slides 8     |
| 23   | 6-Apr         | Tues         | Weighted average cost of capital                  | BDH: 13   H: 8    | Slides 8     |
| 24   | 8-Apr         | Thurs        | Cost of capital for individual projects           | BDH: 13   H: 8    | Slides 8     |
| 25   | 13-Apr        | Tues         | Decision tree analysis                            | BD: 22            | Slides 9     |
| 26   | 15-Apr        | Thurs        | Decision tree analysis                            | BD: 22            | Slides 9     |
| 27   | 20-Apr        | Tues         | Real options: Option to delay investment          | BD: 22            | Slides 9     |
| 28   | 22-Apr        | Thurs        | Real options: Option to Expansion, Abandon        | BD: 22            | Slides 9     |
| 29   | 27-Apr        | Tues         | Real options: Staged investment                   | BD: 22            | Slides 9     |
| 30   | 29-Apr        | Thurs        | Real options: Using Black-Scholes Option Model    | BD: 22            | Slides 10    |
| 31   | 4-May         | Tues         | Final Review Session                              | BD: 22            | Slides 10    |
| <b>32</b>  | <b>13-May</b> | <b>Thurs</b> | <b>Final Exam 12:00 – 2:00 PM</b>                 |                   |              |