

Study Guide

Corporate Finance 2019

MAN-BCU2020

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About this study guide

This study guide contains the most important information for the course and answers almost all questions (tests, exams, how to pass etc.). **Read this guide carefully** before or at the very beginning of the course. Questions that are answered in this guide will not be answered by e-mail. Please keep in mind that this course has 600+ students, so you are required to carefully follow all instructions to guarantee a smooth functioning of this course and enabling the lecturers to teach you as much of the necessary content as possible.

Important: For any remaining operational or procedural questions please **email to CorpFin@fm.ru.nl**. Do **not** write to any personal e-mail address of the lecturer or contact person.

Examination

The final course grade will be the weighted average of

- The final exam (80% weight)
- Your best three weekly test grades (together 15% weight)
- Participation in decision studies (5%).

The decision studies are mandatory. Non-participation can lead to failure of the course. Additionally, there will be five weekly tests. The best three tests will each count for 5% of your course grade (together 15%). The weekly tests will consist of calculus.

The **weekly tests**, which take place each **Tuesday**, will be online assignments on '**Connect**'. This is an online learning and testing environment of the publisher of the textbook, McGraw-Hill. To access Connect you need the unique login code from your textbook. It is your responsibility to have access to the online environment on which the weekly test will be offered and that you have a reliable and working internet connection for the weekly test (also see below in section 'online registration...'). You do not need to pass the weekly tests in order to pass the whole course (but you need to pass the exam).

All questions in the weekly exercises will be unique. Each student will get a random draw out of a pool of questions about the same topic and all calculus questions will have different numbers etc. The time frame in which the weekly test can be answered and the number of attempts will be limited.

There is no opportunity to retake individual weekly tests or all weekly tests altogether. As only the best three tests are taken into account for the course grade, you can miss a weekly test without endangering your course grade. If you cannot take a weekly test or two, for example because of sickness, then there are still enough other weekly tests left to get a good grade. You can miss up to two weekly tests, provided you do the other three. If you only hand in two weekly tests, then the grade of the two you handed in will be counted with 5% each plus one (missing) test with grade 1 for 5%. If

you hand in only one weekly test, then two missing tests (5% each) will be counted with grade 1. If you hand in no weekly test, 15% of your course grade will be a 1.

Make sure that you hand in three weekly tests as early as possible. It is your responsibility if you get sick late in the course and you speculated on handing in only the last three weekly assignments. (In case of long-term sickness please see the section 'Request for exemption' further below.)

The final exam is a closed-book exam which consists of multiple choice questions and possibly open calculus questions. The final exam will cover all topics of the course, including the topics of the weekly tests. Questions can come from the online environment as well as the lectures and tutorials. All this material is relevant for the exam. You are not allowed to bring any books or notes to the final exam. Only *non-programmable* calculators are allowed. A sheet with the most important formulas will be provided (and posted in advance of the exam on Brightspace), you will not need to learn all formulas by heart as this is not required in the real world either. **You need to pass the final exam itself in order to pass the whole course! The same holds true for the retake. It is not possible to fail the exam and compensate this with tests and/or participation in decision studies.**

Online registration for weekly tests and exercises

For the weekly tests you need to register and login at the 'Connect' website from the textbook's publisher, McGraw-Hill. This online environment also allows you to exercise.

Before you register please make sure that

- You own a copy of the correct edition of the textbook and that you have an access/login code (provided on a scratch card in the book or via online order)
- You carefully follow the procedure explained in the first lecture and in the file "online registration procedure" which is placed on Brightspace (see tab "course documents") **after** the first lecture.

If you do not need a copy of the book you can still buy an online registration code on the Connect website of the publisher.

Make sure that you are able to log into the Connect learning environment right after the first lecture. You will need the environment at the end of the first course week at the latest! It is your responsibility to get it in time! Do it immediately!

Contact

For operational or procedural questions email CorpFin@fm.ru.nl. When you send an email, make sure that you **always include your full name and student number**. We will not reply without this information.

Please note:

- If you have procedural or organizational questions that are already answered in the study guide or elsewhere on Brightspace (e.g., in other informational course material or on the lecture slides) it is likely that you will not receive a reply mail.
- Any content questions on the chapters or the exercises must be asked in the week in which the material is covered and/or in the respective lecture/tutorial. This serves as an incentive to study the material early, but asking your questions openly in the lecture/tutorial is also very important for other students, who greatly benefit from seeing the same issue from different angles. The professor will reserve enough time for this, in particular in the tutorial.
- After the respective tutorial, there is no guarantee that we will be able to answer questions on the already covered chapters or exercises via email ex post. This particularly applies to panic emails of 'late bloomers' who, shortly before the exam, suddenly realize that they need some

individual email-coaching. We ask you for your understanding, with 600+ students in the course, this is simply impossible. Again, this serves as an incentive to stay “on track” right from the beginning and will ultimately help you. We want you to succeed in this course!

Schedule

There will be ***plenary lectures*** and ***plenary tutorials***.

The main focus of the lectures is on knowledge transfer and creating an understanding for the subject.

In plenary tutorials, assignments and typical exam questions will be worked out together so that you are well prepared for the upcoming weekly test and the final exam. The main focus of the tutorials is to get you to work, to work through exercises together, and to have more time for your questions.

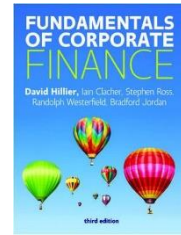
All lectures and tutorials take place in the afternoon from **15.30 to 17.15**. The mapping of chapters to lectures may be changed during the course. This is the schedule as planned:

Course Week	Weekly Test?	Session	Week day	Date	Type L=Lecture T=Tutorial	Place	Book Chapter	Topic
1	No	Mon 03-Sep			no lecture			
		1	Wed	05-Sep	L	LIN 2	1, 3, 4	Intro, fin. statements, time value of money
		2	Thu	06-Sep	L	CC 1		
2	Test	3	Mon	10-Sep	T	LIN 2	Tutorial (1,3,4)	
		4	Wed	12-Sep	L	LIN 2	2, 5	Corporate governance, DCF
		5	Thu	13-Sep	L	CC 1		
3	Yes	6	Mon	17-Sep	T	LIN 2	Tutorial (2,5)	
		7	Wed	19-Sep	L	LIN 2	6	Bond valuation
		7	Wed	20-Sep	L	LIN 2	7	Equity valuation
4	Yes	8	Mon	14-Sep	T	LIN 2	Tutorial (6,7)	
		9	Wed	26-Sep	L	LIN 2	8, 9-9.5	NPV
		10	Thu	27-Sep	L	CC 1	10.3-10.5	Investments
5	Yes	11	Mon	1-Oct	T	LIN 2	Tutorial (8,9,10)	
		12	Wed	3-Oct	L	LIN 2	11	Efficient markets
		13	Thu	4-Oct	L	CC 1	12	Return and Risk
6	Yes	14	Mon	8-Oct	T	LIN 2	Tutorial (11,12)	
		15	Wed	10-Oct	L	LIN 2	13	Cost of Capital
		16	Thu	11-Oct	L	CC 1	14	Raising Capital
7	Yes	17	Mon	15-Oct	T	LIN 2	Tutorial (13,14)	
		18	Wed	17-Oct	L	LIN 2	20	Risk Management
		19	Thu	18-Oct	L	CC 1	Tutorial / Wrap-up	
Exam	No	-	TBA	TBA	Exam	TBA	all of above	all of above

Textbook

Please purchase the following course textbook before the first lecture:

Hillier, Clacher, Ross, Westerfield, Jordan (2017)
Fundamentals of Corporate Finance with connect code
3rd European Edition, McGraw-Hill
ISBN: 9781526822178 (This is the version with Connect code)



Make sure that you buy the **European edition** of the textbook and not the American one (simply check the ISBN number to be sure).

Requests for exemption

There will be no retake opportunity for the weekly tests! If you cannot attend an exam, e.g., because you are sick, then you need to contact the exam commission of the Department of Economics and Business Economics (not the Business Administration one) and ask for an exemption. More information on how you can reach the exam commission of the economics department you can find here:

http://www.ru.nl/economie/contact_en/organisatie-0/examencommissie/

If you cannot hand in at least three of the weekly tests for some important reason, for example, mainly in case of long-term sickness, you must inform the course coordinator and apply for an exemption at the Board of Examiners. They will then decide about a solution to this problem.

How to study for the course

Corporate Finance is generally perceived to be a difficult course. It takes some patience, open-mindedness and sweat to understand the terms and concepts. If you do not keep up with the speed and material of the course, there is a good chance that you will encounter difficulties in the lectures and in the exams. We strongly advise you to stick to the following basic rules to (at least) pass the course. On the positive side, once you do get to grips with the material, finance is an absolutely fascinating world.

1. Read through the relevant chapters **before** the lecture and the tutorial.
2. Come to all lectures/tutorials, come prepared, and **participate actively!**
3. After the lecture, **work through the self-test problems** at the end of the chapter (the solutions are also in the textbook but first try to solve the problems without looking at the solutions).
4. Each week, **come to the tutorial** to work through all the exercises. If you did not understand all exercises in the tutorial, then make sure that you rehearse them on 'Connect', an online learning environment from the publisher of the textbook, McGraw-Hill. **The exercises will only be discussed in the tutorials, not via email.**
5. Participate in all the **weekly tests** on Connect, right from the start. The easy stuff is at the beginning so the chance that you get good grades is higher at the start. Also, if you do the weekly test every week there is a bigger chance that you get high grades in some weeks. Remember, the best three grades out of five count, so the more you try the higher the chance that you score some good grades that count.
6. Once again, it is very important that you **keep up with the weekly readings** and exercises right from the start!

GOOD LUCK IN THIS THE COURSE! It can be fascinating and much fun! Finance is exciting!