FINA 0303 Case Studies in Corporate Finance

Spring 2010  
Faculty of Business and Economics, University of Hong Kong

Instructor (for more detail, see also Appendix 2)

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Server

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Pre-requisites

BUSI0016 or FINA1002 Introduction to finance or FINA1003 Corporate finance.

Learning Goals of the Course

The course exposes students to some of the most fundamental issues in corporate finance today as well as the important advances in corporate finance thinking of the last decade. It intends to offer students a unique case setting to understand how concepts and theories of corporate finance are applied in real world, and generate lasting impact on firm value. As the course title suggests, this course will be taught using a case-oriented approach. On average, we will spend two 3-hour sessions on each topic – the first session will usually be used by the instructor to give students background knowledge of the issues to be examined; the second session will be used for case presentations and discussions. After taking the course, the students should have a competitive edge over others in analyzing corporate finance related issues logically, and presenting results in a more compelling way. It’s a fun course but it is also very fast-paced and demanding!

Textbook and Readings


2. The lecture notes prepared by the instructor, various relevant articles, and the designated cases are the main readings.

Course Procedures\Team Works!

This course is designed to be interactive and challenging. It will follow a combination of lectures – which of course constitute a smaller part of the course – and case studies and presentations.
To prepare for your case presentations, you need to work in a group. You are expected to form a group of four members – no more, no less. You should choose to set up your own groups. Groups must be formed right after the first week, because we will kick start the case presentation and discussion in the second week. Class participants who have not found a group by the end of the first week will be allocated to groups consisting of fewer than four members.

Detailed Case Reports

Each group needs to prepare detailed written analyses for five cases (out of in total six cases). For each case, I will randomly choose 2 to 3 groups (the number is subject to the available time and the pace of lectures) to present their analysis. The detailed analysis is expected to cover all relevant aspects of the case. An important part of this exercise is to distinguish the relevant from the irrelevant, and it is for the group to decide what issues are relevant.

Each report should start with an executive summary section. There is no formal length limit imposed on reports, but you should keep in mind that a report with conciseness and clarity is more convincing and will be accordingly rewarded. In particular, a summary of the facts from the cases should not include the facts that are not relevant to your analysis. Any spreadsheet printouts provided should be self-contained, i.e. one should be able to interpret the information in a table without relying on the main text of the analysis. Tables should include all your assumptions as well as the formulas that are not immediately transparent.

Both a hardcopy of your report and a computer file containing the report are due at the beginning of the class in which the case is scheduled for discussion.

The computer file that contains the report should be sent as an e-mail attachment. Since we will discuss case solutions in class, late reports will not be accepted.

Please refer to Appendix 1 for more details about the case reports.

Seating & Name Cards

The seating arrangement must be finalized by the end of the second week and everyone should use the same seat for the rest of the course. Groups must be seated together. Everyone is expected to have her/his name card on her/his desk at all times.

Assessment

The breakdown of your final score is as follows:

A1. Class presentation and peer review 10%
A2. An individual homework 10%
A3. Case reports 50%
A4. Written Exam 30%
Total 100%
Course Outline

Note: articles or readings in bold are must read.

Topic #1: Corporate Financing Decision – how do firms decide their optimal capital structure?

Readings:

1. Lecture notes by the instructor
2. Corporate Finance, Chapters 15, 16; Valuation, Chapter 10

Case#1: Debt Policy at UST Inc.

Topic #2: Corporate Investment/Valuation Decision (with a focus on DCF and ROIC)

Readings:

1. Lecture notes by the instructor
2. Valuation, Chapters 8-13

Case #2: Radio One, Inc.

Topic #3: Initial Public Offering (IPO)

Readings:

1. Lecture notes by the instructor

Case #3: Google IPO

Topic #4: Corporate Governance Decision

Readings:

1. Lecture notes by the instructor

Case #4: Kohler Co. (A)
Topic #5: Mergers and Acquisitions and Capital Makekt Diagnostics (CMD)

Readings:

1. Lecture notes by the instructor

Case#5: Vodafone AirTouch’s Bid for Mannesmann

Topic #6: Corporate Dividend/Share Buyback Decisions

Readings:

4. Lecture notes by the instructor
5. Corporate Finance, Chapter 18.

Case #6: Microsoft/Intuit
Appendix 1

**How to Prepare Cases**

- A written case analysis of each assigned case must be prepared by groups consisting of at most four students in each group.

- A written report is due at the beginning of the class (keep a copy of your report with you for class discussion).

- The main analysis in the report must be presented in two – three pages (with proper margins and a reasonable font size of no less than 11pt) with relevant references for supporting analysis and data in appendices.

- Each member of the team preparing the analysis must be ready to discuss the analysis and answer any questions during class discussion.

- I will not hand out my solution for the cases through I will discuss some ideas and analysis related to each of the cases. My role will be to facilitate discussion of cases and related material. Also, handing out solutions presupposes that my solution is the right one and may give the impression of undermining the analysis carried out by you.

- Remember, how much you get out of the course will directly depend on how much time and effort you expend in learning the material and engaging yourself in the class discussion. My role would be mainly to provoke and challenge you with some guidance and direction.

- One point I would like to emphasize here is to do whatever you can to manage the length of your report! Too long a report does not add any value at all!!!
Appendix 2

Short biography of Qiao Liu

Dr. Qiao Liu is currently a tenured associate professor of finance in the Faculty of Business and Economics, University of Hong Kong. He is also a visiting professor in the Guanghua Management School of Beijing University. He has served in the expert panel of the ShenZhen Stock Exchange in the past five years. Beginning 2010, he has been invited to act as a corporate governance advisor for the China Securities Regulatory Commission (CSRC).


Qiao Liu obtained a PhD in Financial Economics from the University of California, Los Angeles (UCLA), and an MA in international finance from the Graduate School of People’s Bank’s China (Wudaokou). He initially joined the University of Hong Kong as an assistant professor in September 2000. After a short stint at HKU, he joined McKinsey & Company, where he led McKinsey’s research and knowledge area in Asia-Pacific Corporate Finance and Strategy, and advised MNCs and leading Asian companies. He rejoined HKU two years later in July 2003.