

Course Outline

FN 311 Financial Management

Semester 2/2020 (January 20 – May 19, 2021)

Number of credits: 3 credits (3-0-6)

Prerequisite:

Curriculum B.E.2558

FN201 Business Finance (which requires AC201 Financial Accounting or AC291 Essentials of Accounting) and BA204 Business Statistics or (ST211 Statistics 1 and ST212 Statistics 2) or (ST216 Statistics for Social Science 1 and ST217 Statistics for Social Science 2) or (ST218 Statistics for Psychology 1 and ST319 Statistics for Psychology 2)

Curriculum B.E.2561

FN201 Business Finance (which requires AC201 Financial Accounting or AC291 Essentials of Accounting) and FN211 Financial Mathematics and Statistics

Course Description:

Theoretical concepts of corporate financial management applied to resolve financial problems and issues encountered by management in the real world of business; the management of asset structure and financial mix; the application of financial models and instruments on managing the assets, liabilities and equities, valuation, the costs of capital, capital structure, capital budgeting under risk, leasing, the concepts of agency problems and corporate governance

Course Objectives:

After completing this course, students are expected to be able to (1) explain factors influencing firm's value, (2) quantify systematic risk of a firm, (3) calculate free cash flows of a project and a firm, (4) estimate a firm's weighted average cost of capital, (5) make capital budgeting decisions that increase firm's value, (6) calculate an intrinsic value of a firm using the discounted cash flow models, (7) explain how distributions to shareholders affect firm's value, (8) choose a value-enhancing financing mix, (9) compare and contrast alternative financing choices, (10) discuss various working capital policies and apply the concepts of cash cycles, (11) describe how agency costs affect firm's value, (12) analyze credit policies and adopt the one that maximizes firm's value, and (13) calculate the cost of capital of convertible securities and warrants (optional).

Class Time and Venue:

Date: Tuesdays

Time: 02:00 – 05:00 p.m.

Venue: Room #302 Remote classes via Zoom (Zoom ID and password are available in the class Facebook)

Instructor:

Name: Asst. Prof. Obrom Chaowalerd
Office: BA 552, 5th Floor, East Wing, Thammasat Business School
Office hours: All weekdays (by phone)
Phone: (02)613-2274; Cell phone: (083)840-0060 (weekdays from dawn to dusk)
E-mail addresses: obrom.s.classes@gmail.com → for all questions related to this class
Class Facebook: FN311 2/20 BE @Econ-TU → Questions in a message box are welcome.

Course Administrator: Asst. Prof. Obrom Chaowalerd

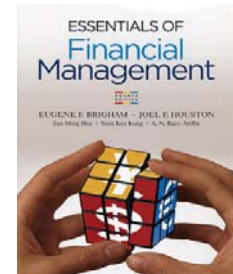
Teaching Assistant: Natamon Komoltri



Main Text:

Eugene F. Brigham, Joel Houston, Jun-Ming Hsu, Yoon Kee Kong, and A. N. Bany-Arifin, **Essentials of Financial Management**. (4th Edition), (Cengage Learning, Singapore: 2018). = **BH** [Note: eBook]

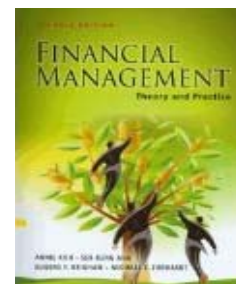
Please visit <http://www.cengageasia.com> for supplementary materials.



Recommended Texts & Materials:

Annie Koh, Ser-Keng Ang, Eugene F. Brigham and Michael Ehrhardt, **Financial Management: Theory and Practice**. (An Asia Edition), (Cengage Learning, Singapore: 2014). = **KABE** (we = **KABE's** Web Extension; wc = **KABE's** Web Chapter)

Please visit <http://www.cengageasia.com> for supplementary materials.



Suggested Readings:

- Other corporate finance, financial management, business finance textbooks
- Local business newspapers, *The Asian Wall Street Journal*, *BusinessWeek*, *The Economist*, *Forbes*, *Fortune*, other financial and economic Websites
- Useful local Websites

<http://www.set.or.th/en/index.html>

<http://www.sec.or.th/view/view.jsp?lang=en>

<http://www.tsi-thailand.org/>

<http://www.bot.or.th/Thai/Pages/BOTDefault.aspx>

<http://www.thaibma.or.th/>

<http://www.settrade.com>

<http://www.tfex.co.th/>

Companies' websites

Grading Criteria:

Activity #	Assessment methods	Assessment week(s)	Proportion of assessment score
1	Assignments	1-15	15
2	Mid-term examination (closed-book, with 2 pages on 1 piece of A4 cheat sheet) Topics covered: 1 – 4 Date: Tuesday, March 16, 2021; Time: 03:00 – 06:00 p.m.	After 7	40
3	Final examination (closed-book, with 2 pages on 1 piece of A4 cheat sheet) Topics covered: 5 – 9 mainly (10 and 11 may be covered) Date: Thursday, May 27, 2021; Time: 09:00 a.m. – 12:00 noon	After 15	45
Total			100

A remark on grading: A final grade is determined according to the following criterion.

<u>Total Points</u>	<u>0-49</u>	<u>50-54</u>	<u>55-59</u>	<u>60-66</u>	<u>67-74</u>	<u>75-84</u>	<u>85-89</u>	<u>90-100</u>
Grade	F	D	D+	C	C+	B	B+	A

Note:

Students are encouraged to (1) review fundamental concepts covered in FN 201 Business Finance, (2) complete required reading assignments before attending the class, (3) participate and ask questions in the class, and (4) review the concepts discussed in the class by doing practice problem sets.

Expected Learning Outcomes:
1. Morality and Ethics

Applicability	Learning Goals	Expected Learning Outcomes
●	1.1 Students possess honesty, sacrifice, self-, social-, and environmental responsibility.	1.1 Students commit no academic dishonesty.
N/A	1.2 Students value “sufficiency” theory and adapt it in life path by adhering to adequacy, rationale, and immunity development.	1.2 N/A
●	1.3 Students value disciplines, respect, and comply with the rules and regulations of the institution and society at large.	1.3 Students are punctual and comply with the rules and regulations of the institution and society at large.
N/A	1.4 Students acquire knowledge related to business morality and ethics, and be able to handle ethical dilemma with integrity.	1.4 N/A

2. Knowledge

Applicability	Learning Goals	Expected Learning Outcomes
N/A	2.1 Students acquire knowledge on and understand the important concepts in business management.	2.1 N/A
●	2.2 Students acquire knowledge on and understand the important social and science concepts related to business management.	2.2 Students understand various concepts in accounting, economics, mathematics, and statistics that are relevant to financial decision makings.
●	2.3 Students acquire knowledge on and understand the important concepts related to business processes, planning, corporate structures, operations, control, performance evaluation and contingency plan to suit the circumstances.	2.3 Students are able to make sound financial decisions that enhance a firm’s value.
●	2.4 Students acquire the knowledge on academic advancement and professional development in business management including the understanding of the situational adaptability and its impacts on business.	2.4 Students are informed about academic advancement and professional development in finance as well as its impacts on business.

3. Intellectual Development

Applicability	Learning Goals	Expected Learning Outcomes
○	3.1 Students are able to search and process information and utilize various concepts appropriately in a given circumstance in order to obtain relevant information to benefit in the rapidly changing business environment.	3.1 Students are able to obtain relevant information for financial decision makings.
●	3.2 Students are able to think systematically, rationally and creatively and to integrate knowledge from other disciplines to solve the problems in business and other settings.	3.2 Students are able to incorporate concepts in accounting, economics, finance, mathematics, and statistics to solve financial problems in both certain and uncertain circumstances.
○	3.3 Students are able to collectively propose solutions to problems at hand and analyze the impacts of the proposed solutions and be able to choose the solution that is appropriate to a given situation to ensure business competitive advantages	3.3 Students are able to (1) collectively formulate solutions to financial problems faced by a firm and (2) analyze the impacts of the proposed solutions and (3) recommend the alternative that maximizes value.

4. Interpersonal Skills and Responsibilities

Applicability	Learning Goals	Expected Learning Outcomes
○	4.1 Students are able to work in team, possess interpersonal skills and leadership skills, and be professionally adaptive to a given situation.	4.1 Students are able to work in team with no free-rider problems.
○	4.2 Students are creative and constructively criticize to solve problem of the team.	4.2 Students show no signs of unconstructive comments.
○	4.3 Students are responsible in lifelong learning to develop self and professional career.	4.3 Students are able to develop a lifelong learning skill.

5. Quantitative Analysis, Communication and Information Technology

Applicability	Learning Goals	Expected Learning Outcomes
●	5.1 Students are able to apply mathematics, statistics, quantitative analysis in analyzing and making decisions in business and daily life.	5.1 Students are able to apply mathematics, statistics, and quantitative analysis in financial decision makings.
○	5.2 Students are able to efficiently communicate in Thai and foreign languages that are relevant in doing business.	5.2 Students participate in the class, hand in assignments, and answer quiz and exam questions using effective verbal and written communication skills.
N/A	5.3 Students are able to explain the issues and make the issues clear in verbal or writing, and be able to choose the appropriate pattern of communication for different groups of audience both in business context and in other contexts.	5.3 N/A
●	5.4 Students are able to utilize the information technologies or others to support the business operations.	5.4 Students are able to use one spreadsheet program to support financial decision makings.

Tentative Class Schedule:

Session; Date & Time (2021)	Topics	Activities/ Text & Materials/ Media
#1: January 26 #2: February 2	(1) <u>Financial Management and Firm Value</u> Course overview; financial managers' responsibilities; the primary objectives of business enterprises; firm value model; modifying accounting data for managerial decisions: calculating free cash flows; MVA® and EVA®; overview of corporate valuation; the corporate valuation model: estimating the value of operations, estimating the price per share	- A lecture, a discussion, an assignment, and Excel Required reading BH 1, 3, 10, WA10A; LN #1 Optional reading BH 2
#3: February 9	(2) <u>Agency Costs and Firm Value</u> Stakeholders; agency problems; agency costs; corporate governance and shareholder wealth	- A lecture, a discussion, and an assignment Required reading BH 1, 15; LN #2 Optional reading See LN #2.
#4: February 16 #5: February 23	(3) <u>Asset Pricing Models (Brief)</u> Returns on investments; stand-alone risk; risk in a portfolio context; calculating beta coefficients; the relationship between risk and return: the CAPM; some concerns about beta and the CAPM; Multi-factors models; data sources	- A lecture, a discussion, and assignments Required reading BH 8; WA8A, WA10A; LN #3 Optional reading See LN #3.
#6: March 2 #7: March 9	(4) <u>The Cost of Capital: Theory and Practice</u> The concepts of the cost of capital; costs of debt, preferred stock, common equity: the CAPM approach, the discounted cash flow (DCF) approach, bond-yield-plus-risk-premium approach; weighted average cost of capital (WACC); the marginal cost of capital (MCC); the MCC schedule; adjusting the cost of capital for risk: the divisional cost of capital; techniques for measuring divisional betas; estimating the cost of capital for individual projects; flotation costs; some problem areas in the cost of capital; data sources	- A lecture, a discussion, assignments, and Excel Required reading BH 8, WA8A, 11, WA11A; LN #4 Optional reading BH 9, 10, 20
Mid-term exam (Topics covered: 1 - 4)		

Session; Date & Time (2021)	Topics	Activities/ Text & Materials/ Media
#8: March 23 #9: March 30	(5) Capital Structure Decisions: Theory and Practice Business and financial risk; capital structure theories: the Modigliani-Miller (MM) Model without taxes, the MM Model with corporate taxes, homemade leverage, illustration of the MM Models, the Miller Model with corporate and personal taxes, illustration of the Miller Model; the Hamada Model; the Trade-Off Models, criticisms of the MM and Miller Models; the Signaling Model, the Pecking-Order Model; the Agency Model; the Market-Timing Model; estimating the optimal capital structure; checklists for capital structure decisions	- A lecture, a discussion, and an assignment Required reading BH 15; KABE 26; LN #5 Optional reading See LN #5.
#10: April 6 (Chakri's Memorial Day) A regular class may continue.	(6) Distributions to Shareholders Theories of and empirical evidence on distributions: dividend irrelevance, bird-in-the-hand, tax differentials, clientele effect, information content or signaling, catering; distributions through stock repurchases; comparison of dividends and repurchases; other factors influencing distributions; stock splits and stock dividends	- A lecture, a discussion, an assignment, and Excel Required reading BH 16, WA16A; LN #6 Optional reading See LN #6.
#11: April 20 #12: April 27	(7) Capital Budgeting: Cash Flow Estimation and Risk Analysis Estimating cash flows; identifying the relevant cash flows; evaluating capital budgeting projects: new and replacement project analyses; adjusting for inflation; techniques for measuring stand-alone risk: sensitivity analysis, scenario analysis, Monte Carlo simulation; incorporating project risk into capital budgeting; managing risk through phased decisions: decision trees; real options (optional; capital budgeting techniques (self-study); Lease-versus-buy decisions (if time permits); A comparison of 3 methods: FCF, FCFE, and APV (if time permits)	- A lecture, a discussion, an assignment, and Excel Required reading BH 12, 13; LNs #7a & #7b Optional reading BH A13A, WA13B, WA13C, WA13D
#13: May 6 (Coronation Day) A regular class may continue. #14: May 11 (first half)	(8) Working Capital Policies The cash conversion cycle: an illustration, shortening cash conversion cycle, benefits; alternative net operating working capital policies: relaxed, restricted, moderate; alternative short-term financing policies: maturity-matching approach, aggressive approach, conservative approach	- A lecture, a discussion, an assignment, and Excel Required reading BH 17; LN #8 Optional reading BH 4

Session; Date & Time (2021)	Topics	Activities/ Text & Materials/ Media
#14: May 11 (second half) #15: May 18	<p>(9) Providing Trade Credit Credit policies; setting the credit period and standards; setting the collection policy; cash discounts; other factors</p> <p>Influencing credit policy; receivables management: monitoring the receivables position (days sales outstanding, aging schedules, the payment pattern approach); analyzing proposed changes in credit policies</p>	<p>- A lecture, a discussion, an assignment, and Excel</p> <p>Required reading BH 17; KABE WC27; LN #9</p> <p>Optional reading See LN #9.</p>
	<p>(10) Financing with Long-term Loans and Bonds (optional*) Long-term loans from banks; bonds: key characteristics of bonds; types of bonds: corporate bonds, government bonds, municipal bonds, foreign bonds, zero-coupon bonds, floating-rate bonds, payment-in-kind bonds, perpetual bonds, callable bonds, bonds redeemable at par, bonds issued with warrants, income bonds, indexed bonds, etc.; bond refunding operation *When time permits only. Not covered in the exam if not discussed in the class.</p>	<p>- A lecture, a discussion, an assignment, and Excel</p> <p>Required reading BH 9, WC13A, 20; LN #10</p>
	<p>(11) Equity and Hybrid Financing (optional*) Key characteristics of common stock; legal rights and privileges of common stock: control of the firm, the preemptive right; right offering; types of common stock: classified stock, founders' shares, tracking stock, non-voting depository receipt (NVDR); advantages and disadvantages of common stock; preferred stock: basic features, other types of preferred stock, advantages and disadvantages of preferred stock; warrants: key characteristics of warrants, initial market price of a bond with warrants, use of warrants in financing, wealth effects and dilution due to warrants, the component cost of bond with warrants; convertibles: conversion ratio and conversion price, the component cost of convertibles, use of convertibles in financing, comparison of warrants and convertibles *When time permits only. Not covered in the exam if not discussed in the class.</p>	<p>- A lecture, a discussion, an assignment, and Excel</p> <p>Required reading BH 9, 10, 20; LN #11</p>
Final exam (Topics covered: 5 – 9, mainly, and 10 – 11 if discussed in the class)		

ACADEMIC CALENDAR

Semester 2/2020 (January 20 – May 19, 2021)

**ACADEMIC CALENDAR
SEMESTER 2/2020**

Semester 2/2020 (January 20 - May 19, 2021)	
Classes Begin	January 20, 2021
Add-drop period	January 25 - 29, 2021
Tuition payment period	January 30 - February 2, 2021
<i>Makha Bucha Day*</i>	<i>February 26, 2021</i>
Mid-term Examination Period	March 10 - 16, 2021
Withdrawal period with "W" on record	March 24 - May 6, 2021
<i>Chakri Memorial Day*</i>	<i>April 6, 2021</i>
<i>Songkran Day Festival*</i>	<i>April 12 - 18, 2021</i>
<i>Substitution for Visakha Bucha Day*</i>	<i>April 26, 2021</i>
<i>Coronation Day*</i>	<i>May 4, 2021</i>
<i>Royal Ploughing Ceremony Day*</i>	<i>May 11, 2021</i>
Last day of class for Semester 2/2019	May 19, 2021
Final exam period	May 20 - June 5, 2021
<i>Visakha Bucha Day*</i>	<i>May 26, 2021</i>
<i>Queen Suthida's Birthday*</i>	<i>June 3, 2021</i>

** Public Holiday, No Classes during this period*

CONTACT INFORMATION

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