

## Course Outline

### FN 311 Financial Management

Semester 2<sup>nd</sup>/2021 (January 10 – May 7, 2022)

**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) forecast financing needs, (6) calculate the intrinsic value of a firm using the discounted cash flow models, (7) compare and contrast alternative financing choices and choose a value-enhancing financing mix, (8) explain how distributions to shareholders affect firm's value, (9) make capital budgeting decisions that increase firm's value under certainties and uncertainties, (10) compare and contrast the FCFF, FCFE, and APV approaches to valuation and capital budgeting analysis, (11) choose various working capital policies that maximizes firm's value and apply the concepts of cash cycles, (12) describe how agency costs affect firm's value, (13) analyze credit policies and adopt the one that maximizes firm's value (optional), and (14) calculate the cost of capital of various hybrid securities (optional).

**Instructor:**

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**Communication and materials platform: FN311 2/21 BE @Econ-TU**

(<https://web.facebook.com/groups/258440529718140>)



**Meeting platform:** Zoom (The ID and passcode are announced in the class FB to keep them private.)

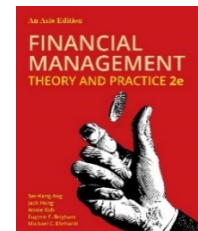
**Course Administrator:** Asst. Prof. Obrom Chaowalerd

**Teaching Assistant:** Suppamong Iemkongaek

**Main Text:**

Ser-Keng Ang, Jack Hong, Annie Koh, Eugene F. Brigham and Michael Ehrhardt, **Financial Management: Theory and Practice**. (An Asia Edition), 2<sup>nd</sup> Edition, (Cengage Learning, Singapore: 2021). = **FM** (we = **FM**'s Web Extension; wc = **FM**'s Web Chapter)

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



**Recommended Texts & Materials:**

Aswath Damodaran, **Damodaran on Valuation: Security Analysis for Investment and Corporate Finance**. 2<sup>nd</sup> Edition, (John Wiley and Sons: New York, 2006).

**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.tsi-thailand.org/>

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

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

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

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

<http://www.settrade.com>

Companies' websites

**Grading Criteria:**

| Activity #                                              | Assessment methods                                                                                                                                     | Assessment week(s) | Proportion of assessment score |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------------|
| 1                                                       | Assignments                                                                                                                                            | 1-15               | 10                             |
| 2                                                       | Proctored remote mid-term examination*<br>Topics covered: 1 – 5<br>Date: March 3, 2022; Time: 03:00 – 05:00 p.m.                                       | After 7            | 40                             |
| 3                                                       | Proctored remote final examination*<br>Topics covered: 6 – 9 mainly (10 – 13 may be covered)<br>Date: Thursday, May 19, 2022; Time: 09:00 – 11:30 a.m. | After 15           | 50                             |
| *closed-book, with 2 pages on 1 piece of A4 cheat sheet |                                                                                                                                                        | Total              | 100                            |

**A remark:** A final grade is determined according to the following criterion (total points are rounded down).

| <b>Total Points</b> | <b>0-44</b> | <b>45-49</b> | <b>50-54</b> | <b>55-59</b> | <b>60-69</b> | <b>70-79</b> | <b>80-84</b> | <b>85-100</b> |
|---------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Grade               | F           | D            | D+           | C            | C+           | B            | B+           | A             |

**Note:**

Students are encouraged to (1) review concepts covered in AC201 (or AC291), FN201, and FN211, (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                                                                                | 3.3 Students are able to (1) collectively formulate solutions to financial problems faced by a firm and (2) analyze                                                                   |

| Applicability | Learning Goals                                                                                         | Expected Learning Outcomes                                                                    |
|---------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|               | choose the solution that is appropriate to a given situation to ensure business competitive advantages | 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:**

| <b>Session;<br/>Date &amp; Time<br/>(2022)</b> | <b>Topics</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Activities/<br/>Text &amp; Materials/<br/>Media</b>                                                                                                    |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| #1:<br>January 13                              | <b>(1) Financial Management and Firm's Value</b><br>Course overview; financial managers' responsibilities; the primary objectives of business enterprises; firm's value model                                                                                                                                                                                                                                                                                                                                                                                                                                                  | - A lecture, a discussion, an assignment, and Excel<br><b>Required reading</b><br>FM 1; LN #1<br><b>Optional reading</b><br>FM 2, 3, 6                    |
| #2:<br>January 20<br><br>#3:<br>January 27     | <b>(2) Asset Pricing Models (Brief)</b><br>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<br><b>Required reading</b><br>FM 6; LN #2<br><b>Optional reading</b><br>FM 25                                  |
| #4:<br>February 3<br><br>#5:<br>February 10    | <b>(3) The Cost of Capital: Theory and Practice</b><br>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; hybrid securities (optional); 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, video clips, assignments, and Excel<br><b>Required reading</b><br>FM 5, 6, 7, 9, 20; LN #3<br><b>Optional reading</b><br>FM 18 |
| #6:<br>February 17                             | <b>(4) Financial Forecasting</b><br>Overview of financial forecasting; forecasting operations; projecting financial statements; additional funds needed (AFN); forecasting when the ratio changes                                                                                                                                                                                                                                                                                                                                                                                                                              | - A lecture, a discussion, an assignment, and Excel<br><b>Required reading</b><br>FM 2, 12; LN #4<br><b>Optional reading</b><br>FM 2, 3                   |
| #7:<br>February 24                             | <b>(5) Corporate Valuation</b><br>Firm's 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<br><b>Required reading</b><br>FM 2, 7; LN #5<br><b>Optional reading</b><br>FM 2, 3, 4, 7, 9           |
| <b>Mid-term exam (Topics covered: 1 - 5)</b>   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                           |

| Session;<br>Date & Time<br>(2022)       | Topics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Activities/<br>Text & Materials/<br>Media                                                                                                                  |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| #8:<br>March 10<br><br>#9:<br>March 17  | <b>(6) Capital Structure Decisions: Theory and Practice</b><br>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: agency costs and firm's value; the Market-Timing Model; estimating the optimal capital structure; checklists for capital structure decisions | - A lecture, a discussion, video clips, and an assignment<br><br><b>Required reading</b><br>FM 13, 15; LN #6<br><br><b>Optional reading</b><br>FM 4, 26    |
| #10:<br>March 24                        | <b>(7) Distributions to Shareholders</b><br>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, video clips, an assignment, and Excel<br><br><b>Required reading</b><br>FM 14; LN #7                                            |
| #11:<br>March 31<br><br>#12:<br>April 7 | <b>(8) Capital Budgeting: Cash Flow Estimation and Risk Analysis</b><br>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);                                                                                                             | - A lecture, a discussion, video clips, an assignment, and Excel<br><br><b>Required reading</b><br>FM 11; LN #8<br><br><b>Optional reading</b><br>FM 4, 10 |
| 13:<br>April 21                         | <b>(9) Alternative Approaches to Valuation and Capital Budgeting Analysis</b><br>The free-cash-flow-to-firm (FCFF) approach; the free-cash-flow-to-equity (FCFE) approach; the adjusted present value (APV) approaches                                                                                                                                                                                                                                                                                                                                                                                                                          | - A lecture, a discussion, video clips, an assignment, and Excel<br><br><b>Required reading</b><br>FM 11, 15; LN #9                                        |
| #14:<br>April 28<br><br>#15:<br>May 5   | <b>(10) Supply Chain and Working Management</b><br>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: the maturity-matching, aggressive, and conservative approaches                                                                                                                                                                                                                                                                                                         | - A lecture, a discussion, video clips, an assignment, and Excel<br><br><b>Required reading</b><br>FM 16; LN #10<br><b>Optional reading</b><br>FM 2, 3     |

| Session;<br>Date & Time<br>(2022)                                                               | Topics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Activities/<br>Text & Materials/<br>Media                                                                                                                                               |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                 | <p><b>(11) <u>Providing Trade Credit</u></b> (optional*)<br/>Credit policies; setting the credit period and standards; setting the collection policy; cash discounts; other factors<br/>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>*When time permits only. Not covered in the exam if not discussed in the class.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>- A lecture, a discussion, video clips, an assignment, and Excel</p> <p><b>Required reading</b><br/><b>FM 16, WC27; LN #11</b></p> <p><b>Optional reading</b><br/><b>FM 2, 3</b></p> |
|                                                                                                 | <p><b>(12) <u>Financing with Long-term Loans and Bonds</u></b> (optional*)<br/>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</p> <p>*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><b>Required reading</b><br/><b>FM 5, 18; LN #12</b></p>                                                                   |
|                                                                                                 | <p><b>(13) <u>Equity and Hybrid Financing</u></b> (optional*)<br/>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</p> <p>*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><b>Required reading</b><br/><b>FM 7, 18, 20; LN #13</b></p>                                                               |
| <p><b>Final exam (Topics covered: 6 – 9, mainly, and 10 – 13 if discussed in the class)</b></p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                         |



## ACADEMIC CALENDAR & HOLIDAY SEMESTER 2/2021

| Semester 2/2021 (January 10 – May 7, 2022) |                                                                                        |
|--------------------------------------------|----------------------------------------------------------------------------------------|
| Classes Begin                              | January 10, 2022                                                                       |
| Add-drop period                            | January 17 - 20, 2022<br><i>(from 9.00 AM of January 17 to 10.30 PM of January 20)</i> |
| Tuition Fee Payment Period                 | 7 December, 2021 - January 23, 2022<br><i>(9 AM - 10.30 PM)</i>                        |
| <i>Makha Bucha Day*</i>                    | <i>February 16, 2022</i>                                                               |
| Mid-term Examination Period                | February 28 - March 5, 2022                                                            |
| Withdrawal period with "W" on record       | March 14 - April 25, 2022<br><i>(from 9.00 AM of March 14 to 10.30 PM of April 25)</i> |
| <i>Chakri Memorial Day*</i>                | <i>April 6, 2022</i>                                                                   |
| <i>Songkran Festival Day*</i>              | <i>April 11 - 17, 2022</i>                                                             |
| <i>Coronation Day*</i>                     | <i>May 4, 2022</i>                                                                     |
| Last day of class for Semester 2/2021      | May 7, 2022                                                                            |
| Final exam period                          | May 9 - 12, 17 - 25, 2022                                                              |
| <i>Royal Ploughing Ceremony Day*</i>       | <i>May 13, 2022</i>                                                                    |
| <i>Visakha Bucha Day*</i>                  | <i>May 15, 2022</i>                                                                    |
| <i>Substitution for Visakha Bucha Day*</i> | <i>May 16, 2022</i>                                                                    |

Remark \* Holiday, No classes during this period

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