Course Outline

FN311 Financial Management

Semester 2nd/Academic Year 2022 (January 9th – May 6th, 2023)

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

Prerequisite:

FN201 Business Finance (which requires AC201 Financial 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) make decisions about bond refunding and leasing (optional), (12) choose various working capital policies that maximizes firm's value and apply the concepts of cash cycles, (13) describe how agency costs affect firm's value, (14) analyze credit policies and adopt the one that maximizes firm's value (optional), and (15) calculate the cost of capital of various hybrid securities (optional).

Instructor and Course Coordinator:

Name:	Obrom Chaowalerd (อบรม เชาวน์เลิศ)
Office:	BA 552, 5th Floor, East Wing, Thammasat Business School
Office hours:	Thursdays by appointment only
Phone:	(083) 840-0060 (preferred)
Message:	MS Teams Chat

Teaching Assistant: TBA

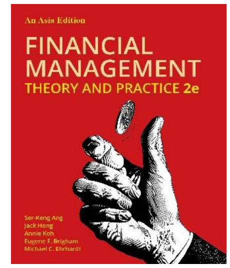
Class Time, Venue, and Platforms:

Section:	046401
Day:	Thursday
Time:	02:00 – 05:00 p.m.
Venue:	Room #303, Faculty of Economics
Class platforms:	(1) MS Teams: **FN311-22S-BE** (communication and class materials) (2) Zoom (live lectures concurrently with the on-site ones) (3) YouTube (recorded lectures for self-review)

Main Text:

Ser-Keng Ang, Jack Hong, Annie Koh, Eugene F. Brigham and Michael Ehrhardt, **Financial Management**: **Theory and Practice**. (An Asia Edition), 2nd 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**. 2nd 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.
  - http://www.sec.or.
  - http://www.tsi-thailand.org
  - http://www.bot.or.
  - 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	10
2	Proctored mid-term examination (Closed-book with 2 pages on 1 piece of A4 cheat sheet allowed) Topics covered: 1 – 5 Date: Thursday, March 2, 2023; Time: 03:00 – 05:30 p.m.	After 7	40
3	Proctored final examination (Closed-book with 2 pages on 1 piece of A4 cheat sheet allowed) Topics covered: 6 – 10 mainly (11 – 13 may be covered) Date: Saturday, May 20, 2023; Time: 09:00 a.m. – 12:00 noon	After 15	50
		Total	100

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

Total Points	**0-39**	**40-45**	**46-49**	**50-59**	**60-69**	**70-79**	**80-89**	**90-100**
Grade	F	D	D+	C	C+	B	B+	A

Notes:

(1) Students are encouraged to
   a. review concepts covered in AC201 Financial Accounting, FN201 Business Finance and FN211 Financial Mathematics and Statistics,
   b. complete required reading assignments before attending the class,
   c. participate and ask questions in the class,
   d. review the concepts discussed in the class by doing practice problem sets, and
   e. reach out to the instructor should help is needed.

(2) Assignment scores are finally based on attempt, not correct answers.

(3) Additional instructions about examinations will be provided should remote examinations are required.

(4) A regular class is cancelled if it falls on a national holiday. However, a make-up class will be rearranged. A lecture on the make-up class is recorded for self-review for students who may have other plans and thus may not be able to show up.

Tentative Class Schedule:

Session; Date & Time (2023)	Topics	Activities/ Text & Materials/ Media
#1: January 12	**(1) <u>Financial Management, Firm's Value, and Agency Problems</u>** Course overview; financial managers' responsibilities; the primary objectives of business enterprises; firm's value model; agency relationships; agency problems; agency costs and firm's value	- A lecture, a discussion, an assignment, **LN** #1 - Required reading: **FM** 1, 13, 15 - Optional reading: **FM** 2, 3, 6
#2: January 19 #3: January 26	**(2) <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; practical issues	- Lectures, discussions, video clips, assignments, **LN** #2 - Required reading: **FM** 6 - Optional reading: **FM** 25
#4: February 2 #5: February 9	**(3) <u>The Cost of Capital: Theory and Practice</u>** The concepts of the cost of capital; costs of debt, convertible 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	- Lectures, discussions, video clips, assignments, Excel, **LN** #3 - Required reading: **FM** 5, 6, 7, 9, 20 - Optional reading: **FM** 18
#6: February 16	**(4) <u>Financial Forecasting</u>** Overview of financial forecasting; forecasting operations; projecting financial statements; additional funds needed (AFN) with and without financing feedback; forecasting when the ratio changes	- A lecture, a discussion, video clips, an assignment, Excel, **LN** #4 - Required reading: **FM** 2, 12 - Optional reading: **FM** 2, 3
#7: February 23	**(5) <u>Corporate Valuation</u>** 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, Excel, **LN** #5 - Required reading: **FM** 2, 7 - Optional reading: **FM** 2, 3, 4, 7, 9
Mid-term exam (Topics covered: 1 - 5)		

Session; Date & Time (2023)	Topics	Activities/ Text & Materials/ Media
#8: March 9 #9: March 16 #10: March 23 (first half)	**(6) <u>Capital Structure Decisions: Theory and Practice</u>** 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	- Lectures, discussions, video clips, assignments, Excel, **LN** #6 - Required reading: **FM** 13, 15 - Optional reading: **FM** 4, 26
#10: March 23 (second half) #11: March 30 (first half)	**(7) <u>Distributions to Shareholders</u>** 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, Excel, **LN** #7 - Required reading: **FM** 14;
#11: March 30 (second half) #12: April 6 Chakri Memorial Day Make-up class ………………………… ………………………… 13: April 20	**(8) <u>Capital Budgeting Analysis under Uncertainty and Uncertainty</u>** Capital budgeting techniques (self-study); 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); alternative approaches to valuation and capital budgeting analysis: the free-cash-flow-to-firm (FCFF) approach; the free-cash-flow-to-equity (FCFE) approach; the adjusted present value (APV) approach	- Lectures, discussions, video clips, assignments, Excel, **LN** #8 - Required reading: **FM** 11 - Optional reading: **FM** 4, 10
14: April 27	**(9) <u>Bond Refunding and Lease Analysis</u>** A bond refunding operation; Types of leases; a lease-versus-buy decision: evaluation by the lessor	- A lecture, a discussion, an assignment, Excel, **LN** #9 - Required reading: **FM** 19, WE15b
#15: May 4 Coronation Day Make-up class ………………………… …………………………	**(10) <u>Supply Chain and Working Management</u>** 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 approach, aggressive approach, conservative approach	- Lectures, discussions, video clips, an assignment, Excel, **LN** #10 - Required reading: **FM** 16 - Optional reading: **FM** 2, 3

Session; Date & Time (2023)	Topics	Activities/ Text & Materials/ Media
	(11) <u>Providing Trade Credit</u> (optional*) Credit policies; setting the credit period and standards; setting the collection policy; cash discounts; other factors Influencing credit policy; receivables management: monitoring the receivables position (days sales outstanding, aging schedules, the payment pattern approach); analyzing proposed changes in credit policies *When time permits only; Not covered in the exam if not discussed in the class	- A lecture, a discussion, video clips, an assignment, Excel, **LN** #11 - Required reading: **FM** 16, WC27 - Optional reading: **FM** 2, 3
	(12) <u>Financing with Long-term Loans and Bonds</u> (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. *When time permits only; Not covered in the exam if not discussed in the class; Most parts are covered in FN201.	- A lecture, a discussion, an assignment, Excel, **LN** #12 - Required reading: **FM** 5, 18
	(13) <u>Equity and Hybrid Financing</u> (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; Most parts are covered in FN201.	- A lecture, a discussion, an assignment, Excel, **LN** #13 - Required reading: **FM** 7, 18, 20
Final exam (Topics covered: 6 – 10, mainly, and 11 – 13 if discussed in the class)		

BACHELOR OF ECONOMICS
THAMMASAT UNIVERSITY

ACADEMIC CALENDAR & HOLIDAY
SEMESTER 2/2022

Semester 2/2022 (January 9 - May 6, 2023)	
Registration at REG TU (*ID.62-65)	November 22 – 25, 2022
Tuition Fee Payment Period (Via TU Greats App)	November 27, 2022 – January 7, 2023
Classes Begin	January 9, 2023
Add-drop period	January 9 - 22, 2023 *(from 9.00 AM of January 9 to 10.30 PM of January 22)*
Tuition Fee Payment Period (Via TU Greats App)	January 9 - 23, 2023 *(9 AM - 10.30 PM)*
Mid-term Examination Period	February 27 - 28 to March 4, 2023
*Makha Bucha Day**	*March 6, 2023*
Withdrawal period with “W” on record	January 25 – March 19, 2023 *(from 9.00 AM of* January 25 *to 10.30 PM of* March 19*)*
*Chakri Memorial Day**	*April 6, 2023*
*Songkran Festival Day**	*April 10 - 16, 2023*
*Coronation Day**	*May 4, 2023*
Last day of class for Semester 2/2022	May 6, 2023
Final exam period	May 8 – 22, 2023
*Royal Ploughing Ceremony Day**	*To be announced*
Submitting Forms for Degree Conferral	January 9 - 22, 2023

Remark * Holiday, No classes during this period

Expected Learning Outcomes (Curriculum B.E. 2561):

1. Morality and Ethics				**2. Knowledge**				**3. Intellectual Development**			**4. Interpersonal Skills and Responsibilities**			**5. Quantitative Analysis, Communication, and Information Technology**			
1	2	3	4	1	2	3	4	1	2	3	1	2	3	1	2	3	4
		●		●						●			●	●			

<table>
<tr><td></td><td>1. Morality and Ethics</td><td>Expected Learning Outcomes and Evaluation Methods</td></tr>
<tr><td>N/A</td><td>1.1 Possess honesty, sacrifice, self-, social-, and environmental responsibility.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>N/A</td><td>1.2 Value “sufficiency” theory and adapt it in life path by adhering to adequacy, rationale, and immunity development.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>●</td><td>1.3 Value disciplines, respect, and comply with the rules and regulations of the institution and society at large.</td><td><u>An expected learning outcome</u>
Students are expected to be compliant with the rules and regulations of the school and the university.
<u>An evaluation method</u>
An evaluation is based on non-compliance cases.
<u>A rubric</u>
A rubric is characterized by the number of non-compliance cases.<table><tr><td>Unsatisfactory (U)</td><td>Satisfactory (S)</td></tr><tr><td>There is least 1 case of incompliance.</td><td>There is no case of incompliance.</td></tr></table></td></tr>
<tr><td>N/A</td><td>1.4 Acquire knowledge related to business morality and ethics and be able to handle ethical dilemma with integrity.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td></td><td>2. Knowledge</td><td>Expected Learning Outcomes</td></tr>
<tr><td>●</td><td>2.1 Acquire knowledge on and understand the important concepts in business management.</td><td>Overall, students achieve the class objectives (on page 1).
<u>An evaluation method</u>
An evaluation is developed on final grades equal to C and above where the grades are constructed on an objective criterion.
<u>A rubric</u>
A rubric is established on the percentage of students who obtain at least C or above (out of the enrolled students).<table><tr><td>Unsatisfactory (U)</td><td>Satisfactory (S)</td><td>Outstanding (O)</td></tr><tr><td>< 75%</td><td>≥ 75% but < 90%</td><td>≥ 90%</td></tr></table></td></tr>
<tr><td>N/A</td><td>2.2 Acquire knowledge on and understand the important social and science concepts related to business management.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>N/A</td><td>2.3 Acquire knowledge on and understand the important concepts related to business processes, planning, corporate structures, operations, control, performance</td><td>N/A (not a learning outcome of this class)</td></tr>
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<tr><td></td><td>evaluation and contingency plan to suit the circumstances.</td><td></td></tr>
<tr><td>N/A</td><td>2.4 Acquire the knowledge on academic advancement and professional development in business management including the understanding of the situational adaptability and its impacts on business.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td></td><td>3. Intellectual Development</td><td>Expected Learning Outcomes</td></tr>
<tr><td>N/A</td><td>3.1 Be 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.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>N/A</td><td>3.2 Be able to think systematically, rationally, and creatively and to integrate knowledge from other disciplines to solve the problems in business and other settings.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>●</td><td>3.3 Be 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.</td><td>Students are able to analyze financial problems faced by companies, formulate alternatives, and suggest solutions that maximize value.
<u>An evaluation method</u>
An evaluation is developed on the scores of one of the final exam questions that covers this ELO.
<u>A rubric</u>
A rubric is formed on the percentage of students who obtain at least 60% of the total points (out of the total post-withdrawal students).<table><tr><td>Unsatisfactory (U)</td><td>Satisfactory (S)</td><td>Outstanding (O)</td></tr><tr><td>< 60%</td><td>≥ 60% but < 90%</td><td>≥ 90%</td></tr></table></td></tr>
<tr><td></td><td>4. Interpersonal Skills and Responsibilities</td><td>Expected Learning Outcomes</td></tr>
<tr><td>N/A</td><td>4.1 Be able to work in team, possess interpersonal skills and leadership skills, and be professionally adaptive to a given situation.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>N/A</td><td>4.2 Be creative and constructively criticize to solve problem of the team.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>●</td><td>4.3 Be responsible in lifelong learning to develop self and professional career.</td><td>Students are able to develop a lifelong self-directed learning skill.
<u>An evaluation method</u>
An evaluation is developed on the completion of a self-study assignment.
<u>A rubric</u>
A rubric is formulated on the percentage of students who obtain at least 60% of the total points of the assignment (out of the total post-withdrawal students).<table><tr><td>Unsatisfactory (U)</td><td>Satisfactory (S)</td><td>Outstanding (O)</td></tr><tr><td>< 60%</td><td>≥ 60% but < 90%</td><td>≥ 90%</td></tr></table></td></tr>
<tr><td></td><td>5. Quantitative Analysis, Communication, and Information Technology</td><td>Expected Learning Outcomes</td></tr>
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<tr><td>●</td><td>5.1</td><td>Be able to apply mathematics, statistics, quantitative analysis in analyzing and making decisions in business and daily life.</td><td>Students are able to apply mathematics, statistics, quantitative analysis to make financial decisions that maximize value.
<u>An evaluation method</u>
An evaluation is developed on the scores of one of the final exam questions that covers this ELO.
<u>A rubric</u>
A rubric is derived from on the percentage of students who obtain at least 60% of the total points (out of the total post-withdrawal students).<table><tr><td>Unsatisfactory (U)</td><td>Satisfactory (S)</td><td>Outstanding (O)</td></tr><tr><td>< 75%</td><td>≥ 75% but < 90%</td><td>≥ 90%</td></tr></table></td></tr>
<tr><td>N/A</td><td>5.2</td><td>Be able to efficiently communicate in Thai and foreign languages that are relevant in doing business.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>N/A</td><td>5.3</td><td>Be 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.</td><td>N/A (not a learning outcome of this class)</td></tr>
<tr><td>N/A</td><td>5.4</td><td>Be able to utilize the information technologies or others to support the business operations.</td><td>N/A (not a learning outcome of this class)</td></tr>
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