Course Description: As an intermediate corporate finance course we will discuss the most relevant financial issues facing corporations. This includes a discussion of corporate governance issues, corporate performance measures, capital budgeting decisions, corporate (business) valuation, and capital structure (debt vs. equity) decisions. This class builds on concepts learned in FINC3400 and, therefore, we will begin by reviewing certain key concepts covered in FINC3400. More specifically, we will review financial statement analysis, some advanced time value of money topics, bond and stock valuation, weighted average cost of capital, and the basics of capital budgeting.

Course Learning Objectives:

Students should be:

- Well-grounded in corporate finance theory
- Able to apply the theory to practice in finance settings
- Able to recognize when corporate decisions are value creating or value destroying
- Able to perform financial modeling in Excel
- Able to speak and write as finance professionals
- Able to recognize social justice issues inherent in business decision-making

Course Design: In this course we will focus on the practical aspect of financial analysis. We will be using real firms, real data, and the financial tools that practitioners apply. The assignments in this course are designed to give you “real world” experience applying financial analysis and are the key to the learning in this class. These assignments are designed to require you to think, search for data, make assumptions for unobservable inputs, and, typically, draw conclusions when there is not necessarily a right or a wrong answer. By working in teams and with me towards completing these tasks, we hope to develop your skills to financially analyze firm’s investment decisions, their overall financial performance, and apply the various business valuation models. The suggested readings, both articles and book, are all chosen to help understand the application of various corporate financial models.
Course Requirements:

Four Assignments

- One FINC3400 problem set
- Three case assignments were you are required to do some quantitative analysis and turn in a well-written write-up describing the process, the results, and the implication of your analysis. Group work for the three case assignments (not for the FINC3400 review assignment) is strongly encouraged but not required. Students who choose to work in groups should hand in one assignment with all group members’ names. The maximum group size is three students (no exceptions). All group members should make a copy of all assignments being turned at the beginning of class in order to participate in a discussion of these assignments. The grading criterion to be applied is provided on page 5 & 6 of the syllabus. These four assignments will make-up 40% of your grade.

Participation

- Another aspect of your grade will be based on your course participation. Course participation refers to your contribution to the learning process and can occur in class, in groups, and through communications with me outside of class via emails, phone conversations or dropping by my office. The grading criterion to be applied is provided on page 7 of the syllabus. Course participation will make-up 10% of your grade.

Exams

- Midterm will be on Monday, February 9th (20% of your grade)
- Comprehensive final exam will be on Wednesday, March 18th (30% of your grade)

These in-class comprehensive exams will focus more on concepts and less on calculations.

Course Grading:

- Assignments 40%
- Participation 10%
- Midterm 20%
- Final 30%

Course Readings:

- Various journal articles available via Canvas (required)
- “Value Based Management: The Corporate Response to the Shareholder Revolution” by Martin, and Petty, Harvard Business School Press, 2000 (ISBN# 0-875848001) and is available via www.amazon.com or other websites (suggested)
# COURSE SCHEDULE, READINGS & ASSIGNMENTS

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
<th>Assignment</th>
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<tbody>
<tr>
<td>1/5 &amp; 1/7</td>
<td>I. Review of FINC3400</td>
<td>“Best Practices in Estimating the Cost of Capital: An Update”, by Brotherson, Eades, Harris, and Higgins</td>
<td>Review of FINC3400, Due 1/14 (40 points)</td>
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<td>1/12 &amp; 1/14</td>
<td>II. Corporate Finance and Value Based Management</td>
<td>View the following video: <a href="https://www.youtube.com/watch?v=yQ1x8jKLWDg">https://www.youtube.com/watch?v=yQ1x8jKLWDg</a></td>
<td>“Is the Market Rational” by Fox</td>
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<td></td>
<td></td>
<td>“The Revolution in Active Investing: Creating Wealth and Better Governance” by Haarmeyer</td>
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<td></td>
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<td>Value Based Management Book – Chapters 1 and 2</td>
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<td>1/19</td>
<td>No Class: MLK Day</td>
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<td>1/21, 1/26, 1/28 &amp; 2/2</td>
<td>III. Capital Budgeting</td>
<td>“How Do CFOs Make Capital Budgeting and Capital Structure Decisions?” by Graham and Harvey</td>
<td>Tasty Foods Frozen Pastry Division Case, Due 2/4 (60 points)</td>
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<td>2/4</td>
<td>Open Date</td>
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<td>2/9</td>
<td>MIDTERM</td>
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IV. Corporate Performance Measures
- Readings: “Decoding DuPont Analysis” by Pinsent
“The Real Key to Creating Wealth”, Fortune
“When Strategy and Valuation Meet” by Litman and Frigo
Value Based Management Book – Chapter 3, Chapter 4 (pages 49-55), and Chapter 5

- Assignment #3: Applying Corporate Performance Measures to a Firm’s Historic Performance, Due 3/2 (60 points)

V. Business Valuation
- Readings: Value Based Management – Chapter 4 (pages 55-68)
“Handling Valuation Models” by Penman

- Assignment #4: Applying Various Valuation Models to Value a Firm’s Equity, Due 3/11 (60 points)

VI. Capital Structure Decision
- Readings: “The Capital Structure Puzzle: The Evidence Revisited” by Barclay and Smith

VII. Valuation Effects of Merger & Acquisitions
- Readings: “Creating Value with Mergers and Acquisitions” by Hazelkorn, Zenner, and Shivdasani

Final Exam (4:00 – 5:50 pm)
Grading Criteria for Assigned Cases

Each case will be graded based on the written report and the presentation of the quantitative analysis. The following criteria will be used for grading the written report and the presentation of the quantitative analysis:

Written Report

90% or more

- Easy to Read and is targeted to the appropriate audience
- **Purpose of the analysis is clearly stated in the introduction**
- Almost all sentences are well structured
- All paragraphs are well structured
- Methods used and key assumptions are stated clearly
- All relevant results are reported clearly and the implication is stated
- A concluding paragraph that clearly summarizes the implication(s) of the analysis

80% to 89%

- Mostly easy to read with some rough spots and an attempt was made to target the report to the appropriate audience
- Some reference to the purpose of write-up is stated in the beginning
- Most sentences are well structured
- Most paragraphs are well structured
- Some reference to methods and key assumptions used
- Most relevant results are reported in a reasonable fashion and occasionally the implication of the results is presented
- A concluding paragraph that mentions the implication(s) of the analysis

70% to 79%

- Hard to read
- No reference to the purpose of write-up is stated in the beginning
- Many sentences are poorly structured
- Many paragraphs are poorly structured
- Brief to no mention of methods and key assumptions used
- Majority of relevant results are not reported or are not reported clearly and no or limited implications are provided
- No concluding paragraph exists or one that does not mention the implication(s) of the analysis
Presentation of Quantitative Analysis

90% or more
- Exhibits have informative titles that suggest the contents of the exhibit
- Assumptions made are clearly presented
- It is easy for the reader to understand the structure of the exhibits
- All equations and sources are provided
- All relevant results are clearly presented
- The relevant financial tools or techniques are applied correctly and completely
- Exhibits are well formatted and look professional

80% to 89%
- Exhibits have titles
- Most assumptions made are presented
- It is not easy for the reader to understand the structure of the exhibits
- Most equations and sources are provided
- Most relevant results are presented in a reasonable fashion
- The relevant financial tools or techniques are mostly applied correctly
- Exhibits are reasonably formatted and look somewhat professional

70% to 79%
- Exhibits do not have titles
- No assumptions are provided
- It is difficult for the reader to understand the structure of the exhibits
- Few or no equations and sources are provided
- Some relevant results are not reported or results are reported in an unclear manner
- There was a good attempt to apply the relevant tools or techniques correctly
- Exhibits are poorly formatted and do not look professional
Grading Criteria for Course Participation

90% or more
- Extremely involved in almost all class discussions
- Was an effective leader in the group process regarding the cases
- Occasionally provided relevant outside reading material with insights
- Often talked with professor outside of class regarding course material

80% or more
- Typically involved in most class discussions
- Was a significant contributor in the group process regarding the cases
- Once provided relevant outside reading material with some comments
- Occasionally talked with professor outside of class regarding course material

70% or more
- Occasionally or rarely involved in class discussions
- Was involved in the group process regarding the cases
- Read some relevant outside reading material
- Once talked with professor outside of class regarding course material