

**Instructor:** Vinay Datar, Professor of Finance

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**Canvas**

**Phone:** 206/296-2801

**Office Hours:** M-W-F (12:30-1:30)

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Course Description:

It is not realistic to do this course without the pre-requisites. I will assume that you have a good understanding of the topics discussed in these classes including financial statements, the time value of money, bond and stock valuation, and the basics of capital budgeting. We will build upon these concepts.

This course presents basic principles of corporate finance and develops tools for financial decisions and valuation in presence of uncertainty, imperfect information and conflicting incentives.

Teaching Method: We will follow the assigned portions of the required textbook. You will need to read the scheduled material before coming to class. I don't plan to lecture or present materials in any structured fashion to convey information. **My role will be to facilitate discussion and tease out interpretation of main ideas.** This process of discovery through conversation is often *deliberately disorganized* and allows the class to shape the discovery.

This course is interactive and is not geared up for on-line or remote learning. Absentee from class will put a lot of burden on you to catch up and I have no practical way of helping you. Office hours are not meant to be make-up sessions for missed classes. You should make it a point to draw on your study group to make up for any unavoidable absentee events for all aspects including housekeeping details.

I believe in active learning. I will frequently call on you to discuss the theory and applications in simple terms as well as in mathematical terms. The math is important but not for its own sake. Most ideas are accessible at intuitive level and are made more precise using mathematical framework. Your class participation will make your learning more effective and also enjoyable. Our focus will be on **general principals and tools** that will be applicable in a wide variety of real world situations.

Homework is based on end-of-chapter problems and will reinforce the main ideas discussed in class but will primarily emphasize process and technique.

Required Textbook:

Ross, Westerfield and Jaffe, *Corporate Finance*, 11<sup>th</sup> edition. McGraw Hill.

The 8<sup>th</sup> or 9<sup>th</sup> edition will work but have different page numbers and that may put some burden on you.

Optional Textbooks:

- Brealey and Myers, *Principals of Corporate Finance*, McGraw Hill.
- Damodaran, Aswath, *Investment Valuation*, Wiley.

About the Optional Textbooks:

‘Brealey & Myers’ text is well written, up-to-date, and provides all the necessary corporate financial theory, evidence and seminal references in the field. It is recommended reading in several subsequent finance courses at SU.

“Investment Valuation” by Damodaran bridges theory and practice in valuation very well. It is a good handbook on practical aspects of valuation in a rigorous framework.

**Tentative Course Schedule**

<b>Date</b>	<b>Topic</b>
Jan 7/9/11	Review of background material. Finance functions in Excel
Jan 14/16/18	Cash Flows, IPO/SEO Ch 2, 20
Jan <del>21</del> /23/25	<b>Risk and Cost of Capital</b> <b>Ch 11, Ch 13</b> <b>Cash-flow spreadsheet 1 due.</b>
Jan 28/30/Feb1	<b>Capital Structure</b> <b>Ch 16</b>
Feb 4/6/8	<b>Limits to Capital Structure</b> <b>Ch 17</b>
Feb 11/13/15	<b>Valuation of the Levered Firm</b> <b>Ch18</b> <b>Mid-Term</b>
Feb <del>18</del> /20/22	<b>Capital Structure Review</b> <b>Ch 16, 17, 18</b>
Feb 25/27/Mar1	<b>RJR Nabisco Leveraged Buyout Case</b> <b><u>Cash-flow spreadsheet 2 due.</u></b>
Mar 4/6/8	Efficient Markets, Long Term Financing Ch 14, 15
Mar 11/13/15	Special Topic <b>Cash-flow spreadsheet 3 due.</b>
Mar 18	Review

**Final Exam Thursday Mar 21 2:00-3:50**

Grading:

5% is based on peer evaluations of class participation.  
5% is based on the current events assignment.  
35% is based on group assignments and quizzes

20% is based on the Mid-Term exam.  
35% based on the in-class Final Exam.

There will be a peer evaluation at the end of the course to determine your class participation.

~~Timely class attendance is essential without late arrivals or early departures. The first tardiness will not affect your grade. Each subsequent tardiness will reduce your grade by half a grade.~~

#### Grading Policy:

The learning environment is seriously frustrated by singular focus on grades. Every now and then, your class will have students whose primary pre-occupation is with letter grades. For their benefit, I have provided the following information.

As we all know, the exams are not a perfect measure of knowledge. The grades reflect your overall performance as measured by the scheme on the prior page. This is a standard metric for the entire class. The amount of effort you put in or your special needs for a particular letter grade do not allow me to fashion a special customized metric for different individuals.

We will use the following structure for letter grades.

Overall score out of 100 points for the course	Letter grade for the course
95-100	A
90-95	A-
85-90	B+
75-85	B
70-75	B-
65-70	C+
60-65	C
55-60	C-
55 and below	D, E, F

Curving the final exam score: I'll normalize the final-exam scores upward to make the average equal to 50%. If the average on the final-exam is already above the 50% score, I'll be happy to leave the distribution unadjusted. This loads the process in favor of getting a better letter grade.

#### Academic Honesty

Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process. Academic dishonesty in any form is a serious offense against the academic community. Acts of academic dishonesty will be addressed according to the Seattle University Academic Honesty Policy. The policy can be found at the address below:

[http://www.seattleu.edu/regis/Policies/Policy\\_2004-01.htm](http://www.seattleu.edu/regis/Policies/Policy_2004-01.htm)

If you are not sure whether a particular action is acceptable according to the Academic Honesty Policy, you should check with your instructor before engaging in it.

### Disability

If you have, or think you may have, a disability (including an 'invisible disability' such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through Disabilities Services staff in the Learning Center, Loyola 100, (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.