

SEATTLE UNIVERSITY
Albers School of Business & Economics
Department of Finance

FINC 3420: Intermediate Corporate Finance
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Course Description:

This course is designed to provide students the tools necessary to analyze corporate decisions and to enhance students' ability to create and present professional financial analysis. After discussing various financial tools and concepts, the course focuses on examining alternative methods used to analyze the firm's financial performance. This course covers both traditional (accounting based) and non-traditional (value based) financial performance measures. Post-midterm, the course will examine how these tools and performance measures can be utilized to guide the firm's financing, investing, and payout decisions. Where possible, we will use real firms, publicly available data, and Excel to create our financial analysis.

Course Learning Objectives:

1) *Critical and analytical reasoning.*

Finding data, creating various financial measures/models, discussing the strengths and weaknesses of these various measures/models and making recommendations/conclusions based on the results of this analysis will enhance students' critical and analytical reasoning skills.

2) *Values and ethics.*

Discussions of corporate objectives, agency costs, and compensation will enhance students' awareness of certain ethical issues in corporate finance.

3) *Effective written/oral communication skills.*

Requiring a written summary of your analysis for the three case assignments and reviewing my feedback will enhance students' written communication skills. Discussing the course content in class and during office visits will enhance students' oral communication skills.

4) *Quantitative skills.*

Discussing and developing various financial measures/models using Excel spreadsheets for each case assignment will enhance students' quantitative skills.

5) *Computer literacy.*

Requiring on-line data searches to apply the various financial models for each case assignment will enhance students' computer literacy.

Course Requirements:

You will be required to hand in four assignments. These assignments are available on Canvas and should be submitted via Canvas on the various due dates. These four assignments will make-up 40% of your grade. Group work for the assignments is strongly encouraged but not required. Students who choose to work in groups should submit one assignment with all group members' names. The maximum group size is two students (no exceptions). The grading criterion to be applied is provided on page 6 & 7 of the syllabus.

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 via emails, group and individual Zoom meetings. The grading criterion to be applied is provided on page 7 of the syllabus. Course participation will make-up 10% of your grade.

There will be on-line open book comprehensive midterm and final exams. Both exams will focus more on concepts and less on calculations. The midterm will be on Thursday, October 22nd and will make-up 20% of your grade. The comprehensive final exam will be on Friday, November 20th and will make-up 30% of your grade. Previously used midterms and finals are available on Canvas.

Asynchronized Recorded Lectures:

Recorded lectures of each section of the course are available on Canvas. Students should listen to the lecture before the end of the week listed for each section.

Weekly Zoom Meetings:

For this course there will be two scheduled Zoom meetings a week. Zoom meetings will be on Tuesday and Thursday mornings from 8:00 am to 10:00 am. During these Zoom meetings, I will review some of the key concepts covered in the recorded lectures and answer any and all questions you might have regarding the course material, assignments, or anything else you are interested in discussing. These meetings will start at 8:00 am and will end when there are no more questions to answer. It is strongly, strongly, strongly suggested you attend at least one of these two scheduled Zoom meetings each week (the more the merrier). I am also very open to individual or small group Zoom meetings by appointment, even on weekends.

Required Readings:

PowerPoint Slides for each course section and various articles listed in the Course Sections, Readings, and Assignments section of this syllabus (available via Canvas).

Optional Reading:

“Value Based Management with Corporate Social Responsibility” by Martin, Petty, and Wallace, Oxford University Press, 2nd Edition, 2009 (ISBN-13: 978-0-19-534038-9 is available via www.abebooks.com or www.amazon.com or etc.

Academic Resources:

- Library and Learning Commons (<http://www.seattleu.edu/learningcommons/>)
(This includes: Learning Assistance Programs, Research [Library] Services, Writing Center, Math Lab)
- Academic Integrity Tutorial (found on Canvas and S.U. Online)

Academic Policies on Registrar website (<https://www.seattleu.edu/redhawk-axis/academic-policies/>)

- Academic Integrity Policy
- Academic Grading Grievance Policy
- Professional Conduct Policy (only for those professional programs to which it applies)

Notice for students concerning Disabilities:

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 located in Loyola 100, (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

Notice Regarding Religious Accommodations

It is the policy of Seattle University to reasonably accommodate students who, due to the observance of religious holidays, expect to be absent or endure a significant hardship during certain days of their academic course or program. Please see, *Policy on Religious Accommodations for Students* (<https://www.seattleu.edu/media/policies/Policy-on-Religious-Accommodations-for-Students---FINAL.PDF>).

Office of Institutional Equity:

Title IX of the Education Amendments of 1972 (Title IX) prohibits discrimination based on sex in educational programs or activities that receive Federal financial assistance. This prohibition includes sexual misconduct, which encompasses sexual harassment and sexual violence. Seattle U remains committed to providing a safe and equitable learning, living, and working environment. Seattle U offers emergency, medical, and other support resources, as well as assistance with safety and support measures, to community members who have experienced or been impacted by sexual misconduct.

Seattle U requires all faculty and staff to notify the University’s Title IX Coordinator if they become aware of any incident of sexual misconduct experienced by a student.

For more information, please visit <https://www.seattleu.edu/equity/>. If you have any questions or concerns, you may also directly contact the Title IX Coordinator in the Office of Institutional Equity (email: oiie@seattleu.edu; phone: 206.296.2824) University Resources and Policies

COURSE SCHEDULE, READINGS & ASSIGNMENTS

Week Ending Sep 18 th	1. Financial Tools/Models
	- Readings: “Best Practices in Estimating the Cost of Capital: An Update”, by Brotherson, Eades, Harris, and Higgins
	- Assignment #1: Financial Tools/Models Problem Set, Due Sep 25 th (60 points)
Sep 25 th	2. Corporate Finance and Value Based Management
	- Readings: “Value Maximization, Stakeholder Theory, and the Corporate Objective Function”, by Jensen “Is the Market Rational” by Fox “The Global Financial Crisis and the Efficient Market Hypothesis: What Have We Learned”, by Ball “The Revolution in Active Investing: Creating Wealth and Better Governance” by Haarmeyer Value Based Management Book – Chapters 1 and 2
Oct 2 nd	3. Traditional Performance Measures
	- Readings: “The Best Way to Measure Company Performance” by Hagel, Brown, and Davison
	- Assignment #2: Applying Traditional Performance Measures to Analyze a Firm’s Historic Performance, Due Oct 9 th (60 points)
Oct 9 th	4. Value Based Performance Measures
	- Readings: “The Real Key to Creating Wealth”, Fortune “Managing for Value: It’s Not Just About the Numbers”, HBR

- Oct 16th 4. Value Based Performance Measures (Continued)
- Readings: “When Strategy and Valuation Meet” by Litman and Frigo
“Managing for Shareholder Value - From Top to Bottom”,
by Wenner & Leber
“Leading for Value”, by Pitman
Value Based Management Book – Chapter 5
 - Assignment #3: Applying Value Based Performance Measures to a Firm’s
Historic Performance, Due Nov 4th (100 points)
- Oct 23rd **MIDTERM Thursday, October 22nd from 8 a.m. to 10 a.m.**
- Oct 30th 5. Financing Decision
- Readings: “The Capital Structure Puzzle: The Evidence Revisited”
by Barclay and Smith
“Bloomberg Intelligence Roundtable on The Theory and
Practice of Capital Structure Management”
- Nov 6th 6. Investing Decision
- Readings: “Creating Value Through Best-In-Class Capital Allocation”
By Zenner, Berkovitz, and Clark (JP Morgan)
“Capital Deployment Roundtable: A Discussion of Corporate
Investment and Payout Policy”
 - Assignment #4: Analyzing the Renovation of the Madison Park Property,
Due Nov 18th (60 points)
- Nov 13th 7. Payout Decisions
- Readings: “Maintaining a Flexible Payout Policy in a Mature
Industry” by Ang, Arnold, Conover, & Lancaster
“Reappearing Dividends” by Julio & Ikenberry”
“Are Stock Buybacks Starving the Economy?”

<https://www.theatlantic.com/ideas/archive/2018/07/are-stock-buybacks-starving-the-economy/566387/>

“Share Buybacks May Be Bad —Just Not for the Reasons
You Think”

<https://www.institutionalinvestor.com/article/b1dfj9g9mfngxb/Share-Buybacks-May-Be-Bad-Just-Not-for-the-Reasons-You-Think>

Grading Criteria for Assignments 2 to 4

Each assignment will be graded based on the write up and the presentation of the quantitative analysis. The following criteria will be used for grading the write up and the presentation of the quantitative analysis:

Write Up

90% or more

Easy to read and 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 results and the implication or implications 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 mentioning the results and implication or implications of the analysis

70% to 79%

Difficult 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 limited implications are provided

No concluding paragraph exists or one that does not mention the results nor the implication or implications of the analysis

Presentation of Quantitative Analysis

90% or more	Exhibits have informative titles that suggest the contents of the exhibit Assumptions used 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 used 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	Actively involved in almost all Zoom meetings Regularly requested individual Zoom meetings or asked questions on a regular basis via email
80% or more	Attended almost all Zoom meetings Occasionally requested individual Zoom meetings or occasionally asked questions via email
70% or more	Attended some Zoom meetings Rarely or never requested individual Zoom meetings or rarely asked questions via email