SEATTLE UNIVERSITY
Albers School of Business & Economics
Department of Finance

FINC3420: Intermediate Corporate Finance

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Office: Pigott 525      Office Hours: Monday 11-12:30 am,
                        Thursday 3-4:30 pm, or by appointment

Course Description: This course is designed to enhance students’ ability to create and present professional financial analysis. We will focus on analyzing the financial performance of a business and, as an extension, business valuation. We will examine both traditional (accounting based) and non-traditional (value based) financial performance measures considering the pros and cons of the various alternative measures. Our discussion of business valuation will consider the application of both market multiples and cash flow based valuation models, again with consideration of the pros and cons of the various valuation models. Finally, we will discuss the connection between both capital budgeting decisions and capital structure decisions with the various measures/models of financial performance and firm value. Where possible, we will use real firms, on-line publicly available data, and Excel to create our financial analysis. The financial analysis created in this class builds on concepts/tools presented in Finance 3400 and, therefore, we will begin by reviewing key financial concepts/tools covered in that course.

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, understanding of the implications of the results, 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, compensation, and balanced analysis 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:

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 your results. 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 Wednesday, February 12th (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%
Required Readings:

Lecture Notes (PowerPoint Slides available via Canvas).

Various articles listed in the Course Sections, Readings, and Assignments section of this syllabus (available via Canvas).

Optional Reading:


Very Optional Readings:


Stewart, The Quest For Value, Harper Business.


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 SU 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: oie@seattleu.edu; phone: 206.296.2824) University Resources and Policies
I. Review of Finance 3400

- Assignment #1: Review of Finance 3400, Due 1/22 (50 points)

II. Corporate Finance and Value Based Management

- Readings: “Value Maximization, Stakeholder Theory, and the Corporate Objective Function”, by Jensen
“Business Roundtable on Purpose of Corporation”
“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

III. Traditional Performance Measures

(no class on 1/20)

- 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 2/10 (60 points)

IV. Value Based Performance Measures

- Readings: “The Real Key to Creating Wealth”, Fortune
“Managing for Value: It’s Not Just About the Numbers”, HBR
Value Based Management Book – Chapter 3, Chapter 4 (pages 49-55)
“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 2/26 (60 points)
2/10   Open Class – Midterm Review

2/12   MIDTERM

2/19 & 2/24 (no class 2/17) V. Basics of Capital Budgeting

- 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” Value Based Management Book – Chapter 7

2/26 & 3/2 VI. Business Valuation

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

- Assignment #4: Applying Various Valuation Model to Value a Firm’s Equity, Due 3/16 (60 points)

3/4 & 3/9 VII. Financing Decisions, Performance Measures and Valuation Effects

- Readings: “The Capital Structure Puzzle: The Evidence Revisited” by Barclay and Smith
  “Bloomberg Intelligence Roundtable on The Theory and Practice of Capital Structure Management”


3/16 Review Session for Final Exam

3/18 Final Exam (4:00 – 5:50 pm)
Grading Criteria for Assigned Cases

Each case 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(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 mentioning the results and implication(s) 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(s) 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 class discussions
Was an effective leader in the group case assignments
Occasionally provided relevant outside reading material with insights
Often met with professor outside of class regarding course material

80% or more  
Involved in most class discussions
Was a significant contributor in the group case assignments
Rarely provided relevant outside reading material with some insights
Rarely met with professor outside of class regarding course material

70% or more  
Rarely involved in a class discussion
Met with the group to discuss the cases
Never provided relevant outside reading material
Never met with the professor outside of class