

<b>Course</b>	<b>FINC 5880 Advanced Corporate Finance</b>	
<b>Intent of the Course</b>	<p>This course is intended to be a more application-oriented focus on finance, building from the concepts the student learned in FINC 5000. Typically, the same text is used, expanding into some of the more detailed chapters, such as dividend policy, financial planning and forecasting, hybrid financing, and more.</p> <p>Because of the importance of the application element in this class, at least three cases should be used during the term to enable the students to take the finance theories and formulae learned in both 5000 and 5880 and to use this information to help solve real-life business problems.</p> <p>Depending on time availability, the mergers and acquisitions chapter as well as the bankruptcy chapter may be covered as optional material, or omitted.</p>	
<b>Course Level Learning Outcomes</b>	<b>Outcome</b>	<b>Expectation</b>
	1. Students can determine the value of fixed income securities	Students can calculate the implied value of convertible securities as well as the value of bonds-with-warrants.
	2. Students can analyze capital budgeting decisions using standard methodologies	Students can make capital budgeting decisions using cash flow estimates and incorporating other sources of cash, such as taxes and depreciation. Students can explain the impact of profit margin and overall firm profitability on capital budgeting decisions, particularly when outside financing may be required to be able to complete projects.
	3. Students can explain the impact of capital structure decisions on financial performance and cost of capital	Students can determine the impact of changes in cost of equity, cost of debt, the risk-free rate of interest, the tax rate, and the levels of debt and equity on the firm's balance sheet on the overall cost of capital and the effect on both project and firm profitability.
	4. Students can utilize financial analysis to assess an organization's financial condition	Students can apply ratio and financial statement analysis skills to solve unstructured problems.
5. Students can construct strategies to reduce risk utilizing derivatives	Students can compute payoffs to put and call contracts and value corporate projects using the real option approach.	

	6. Students demonstrate integration of more than one area of finance when using case studies.	Students can solve cases requiring integration across various finance areas.
	7. Students will demonstrate knowledge of lease analysis.	Students can compare the value of leasing to that of purchasing.
<b>Course Content</b>	<p><b>Valuation concepts and calculations (25%):</b> This course covers techniques for valuation of hybrid securities. Typically, bond valuation formulas, such as yield to maturity, are used to value a bond trading with warrants, or a convertible bond, as a combined cash flow of a straight bond plus a call-like option (the warrants or the conversion value). Students learn to value warrants and the implied valuation of the option to convert. Advantages and disadvantages of different hybrid sources of financing is covered, as are the differences between different types of hybrids (how do bonds with warrants differ from convertible bonds?)</p> <p><b>Introduction to derivative securities (25%):</b> This course covers an introduction to financial options and futures. Students are taught the Black-Scholes formulas for valuing a call option. Students are introduced to the six factors that impact option pricing, and the relation of each of those six factors (exercise price of the option, underlying stock price, variance of returns of the underlying stock distribution, the risk-free rate of return, dividends, and maturity of the option) to the price of the call or put.</p> <p><b>Financial Planning and forecasting (15%):</b> Students integrate financial planning and forecasting into a capital budgeting analysis. Students learn the AFN (Additional Funds Needed) method for planning for the financing needs of the firms, based on efficiency of assets and the profitability of the firm, as well as its dividend payout policy.</p> <p><b>Lease Analysis (10%):</b> Students will apply lease analysis to business decisions. They are introduced to NPV analysis to determine whether a firm would be better of leasing an asset, or borrowing money to purchase the asset. They learn how to identify cash flows associated with leasing or buying, the after-tax benefit of items such as depreciation write-offs, how salvage values should be included in the analysis, and the features and benefits of different types of leases, such as operating leases versus capital leases.</p> <p><b>Other topics (25%):</b> Through the use of cases, students will demonstrate the ability to integrate disparate areas within finance to show the inter-relation of, for example, capital budgeting and capital structure, risk management and derivatives, and others. Students will work with a minimum of two cases during the term. When possible, the class will use a “real” case, if there is a willing corporation that will share data and work</p>	

	with the class participants in their analysis. Otherwise, purchased financial cases, and/or those included within the text itself, will be used to allow students to integrate various topics and to apply them to real or simulated data.
<b>Suggested Course Activities</b>	<p><b>Program Level Learning Outcomes can be found on the Faculty Course Information site of the Connections portal, under their individual department menus. During the first class session, please review the relevant Program Level Learning Outcomes with the students, and discuss how this required course for the program relates to those Program Level Learning Outcomes. If you have any questions, please refer them to the Site Director. Thank you.</b></p> <p>Problems:  Group Problem Solving:  Cases:  Discussion of actual/current business events: Students are expected to regularly read the Wall Street Journal or comparable business periodicals and to actively contribute to class discussions, integrating actual events with concepts covered in class.</p>
<b>Textbooks</b>	<p>Brigham, Eugene F. and Michael C. Ehrhardt, <i>Financial Management, Theory and Practice</i>, South-Western, ISBN: 0000000000.</p> <p>Ross, Stephen A., Randolph W. Westerfield, and Jeffrey A. Jaffe, <i>Corporate Finance</i>, McGraw-Hill/Irwin, ISBN: 0000000000.</p> <p>Brealey, Richard, Stewart C. Myers and Franklin Allen, <i>Principles of Corporate Finance</i>, McGraw-Hill/Irwin, ISBN: 0000000000.</p>
<b>Suggested Waiver Policy</b>	This course is intended for all MS in Finance students. All waivers must be approved by the Chair of the Business department.
<b>Other</b>	

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