

<b>Course</b>	<b>FINC 5880 Advanced Corporate Finance</b>	
<b>Term</b>	Spring 2, 2008	
<b>Instructor</b>	Lorraine Gilbertson 816-478-6604 <a href="mailto:gilbertl@webster.edu">gilbertl@webster.edu</a>	
<b>Catalog Description</b>	This advanced study of corporate financial analysis and planning includes capital budgeting, cost of funds, and capital structure and valuation. Selected topics that may be covered are leasing, mergers, takeovers, business failure, reorganization, and liquidation. A combination of problem-solving and case study methodologies is used to illustrate theories and techniques helpful in financial analysis and planning.	
<b>Prerequisites</b>	FINC 5000      Finance	
<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>Materials</b>	<ul style="list-style-type: none"> <li>• Brigham, Eugene F. and Michael C. Ehrhardt, Financial Management, Theory and Practice, South-Western, use most recent edition ISBN 0324422695.</li> <li>• A study guide is available for students who want additional support for solving problems.</li> <li>• Financial Calculator and/or access to Excel</li> <li>• Access to Wall Street Journal &amp;/or other business news sources.</li> </ul> <p>Text is available through MBS Direct Books at 1-800-352-3252 or <a href="http://www.mbsdirect.net">www.mbsdirect.net</a>. Checks and credit cards accepted.</p>	

<b>Grading</b>	<table border="1" data-bbox="375 222 954 405"> <tr> <td>Weight:</td> <td></td> </tr> <tr> <td>Mid-term exam</td> <td>30%</td> </tr> <tr> <td>Final exam</td> <td>30%</td> </tr> <tr> <td>Cases/Quizzes/Homework</td> <td>30%</td> </tr> <tr> <td>In-depth Company Analysis</td> <td>10%</td> </tr> <tr> <td></td> <td>100%</td> </tr> </table> <table border="1" data-bbox="375 464 954 583"> <tr> <td>Cutoff for:</td> <td></td> </tr> <tr> <td>A range</td> <td>90%</td> </tr> <tr> <td>B range</td> <td>80%</td> </tr> <tr> <td>C range</td> <td>70%</td> </tr> </table> <p data-bbox="375 646 1154 674"><b>The GRADUATE catalog provides these guidelines and grading options:</b></p> <ul data-bbox="418 678 1406 1094" style="list-style-type: none"> <li>• <b>A/A-</b> Superior graduate work</li> <li>• <b>B+/B/B-</b> Satisfactory graduate work</li> <li>• <b>C</b> Work that is barely adequate as graduate-level performance</li> <li>• <b>CR</b> Work that is performed as satisfactory graduate work (B- or better). A grade of "CR" is reserved for courses designated by a department, involving internships, a thesis, practicums, or specified courses.</li> <li>• <b>F</b> Work that is unsatisfactory</li> <li>• <b>I</b> Incomplete work</li> <li>• <b>ZF</b> An incomplete which was not completed within one year of the end of the course. ZF is treated the same as an F or NC for all cases involving G.P.A., academic warning, probation, and dismissal.</li> <li>• <b>IP</b> In progress</li> <li>• <b>NR</b> Not reported</li> <li>• <b>W</b> Withdrawn from the course</li> </ul>	Weight:		Mid-term exam	30%	Final exam	30%	Cases/Quizzes/Homework	30%	In-depth Company Analysis	10%		100%	Cutoff for:		A range	90%	B range	80%	C range	70%
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<b>Activities</b>	<ul data-bbox="375 1136 1414 1864" style="list-style-type: none"> <li>• Attend Class. Class attendance is expected.</li> <li>• Students are encouraged to participate actively in class in regard to analysis and discussion of reading material, lecture material, problems, and cases.</li> <li>• Students will be required to complete problems and cases. One or more of the cases may be group assignments. The problems are from the textbook. Some cases are from the textbook; others are real companies. Complete problems in Excel. Show how you derived each answer. If you use a financial calculator, show the keystrokes. Complete quantitative aspects of cases in Excel; narrative may be completed in Excel (use textboxes) or Word.</li> <li>• This course may have a significant on-line portion. Students may be required to complete some quizzes online as well as other assignments. There will be an active discussion/forum available to students to assist each other in the completion of the homework assignments and other course requirements.</li> <li>• Students should expect to spend substantial amounts of time, in and out of class, to keep up with readings and assignments. Frequently, there will not be sufficient time to review all assigned work &amp; topics in the classroom. However, it is an important learning tool to attempt all tasks, and ask questions on any unclear concepts and problems. Help sessions may be scheduled on non-class days. Please ask, if needed.</li> <li>• Required articles may be distributed in class, be on reserve in the library, or one may be required to find the article.</li> <li>• In-depth Company Analysis: A financial analysis of a company.</li> <li>• Projects, homework, and pop quizzes will constitute a significant portion of your grade. Homework and projects are due on the date indicated on the syllabus, or as modified in class. A late penalty will apply for all work turned in the next class period. Homework and projects may not, at the option of the instructor, be accepted past the next class period. There will be no makeups on pop quizzes. Quizzes may be administered online.</li> </ul>																				
<b>Policy</b>	<p data-bbox="375 1898 1398 1946">University policies are provided in the current course catalog and course schedules. They are also available on the university website. This class is governed by the university's published policies. The</p>																				

<p><b>Statements:</b></p> <p><b>University Policies</b></p>	<p>following policies are of particular interest:</p> <p><b>Academic Honesty</b></p> <p>The university is committed to high standards of academic honesty. Students will be held responsible for violations of these standards. Please refer to the university's academic honesty policies for a definition of academic dishonesty and potential disciplinary actions associated with it.</p> <p><b>Drops and Withdrawals</b></p> <p>Please be aware that, should you choose to drop or withdraw from this course, the date on which you notify the university of your decision will determine the amount of tuition refund you receive. Please refer to the university policies on drops and withdrawals (published elsewhere) to find out what the deadlines are for dropping a course with a full refund and for withdrawing from a course with a partial refund.</p> <p><b>Special Services</b></p> <p>If you have registered as a student with a documented disability and are entitled to classroom or testing accommodations, please inform the instructor at the beginning of the course of the accommodations you will require in this class so that these can be provided.</p> <p><b>Disturbances</b></p> <p>Since every student is entitled to full participation in class without interruption, disruption of class by inconsiderate behavior is not acceptable. Students are expected to treat the instructor and other students with dignity and respect, especially in cases where a diversity of opinion arises. Students who engage in disruptive behavior are subject to disciplinary action, including removal from the course.</p> <p><b>Student Assignments Retained</b></p> <p>From time to time, student assignments or projects will be retained by The Department for the purpose of academic assessment. In every case, should the assignment or project be shared outside the academic Department, the student's name and all identifying information about that student will be redacted from the assignment or project.</p> <p><b>Contact Hours for this Course</b></p> <p>It is essential that all classes meet for the full instructional time as scheduled. A class cannot be shortened in length. If a class session is cancelled for any reason, it must be rescheduled.</p>											
<p><b>Course Policies</b></p>	<p>If you miss class you are responsible for getting notes and assignments. <i>No late homework will be accepted, unless approval is obtained in advance.</i></p>											
<p><b>Weekly Schedule</b></p>	<p>The schedule below presents an approximate expectation of course progress. The instructor reserves the right to add, delete, or modify any weeks of this schedule. Any changes will be announced in class. All assignments must be completed in typewritten format.</p> <table border="1" data-bbox="358 1745 1421 1950"> <thead> <tr> <th data-bbox="358 1745 475 1803">Week</th> <th data-bbox="475 1745 1073 1803">Topic and Chapter</th> <th data-bbox="1073 1745 1421 1803">Assignments</th> </tr> </thead> <tbody> <tr> <td data-bbox="358 1803 475 1919">1</td> <td data-bbox="475 1803 1073 1919"> <ul style="list-style-type: none"> <li>• Financial Statements Analysis, Chapter 4</li> <li>• Cash Flow Estimation, Chapter 12</li> </ul> </td> <td data-bbox="1073 1803 1421 1919">           *Case 1: Ratio analysis of assigned company            C12: Problems 1, 2, 3, 4, 8  <b>Due Beginning of Week 2</b> </td> </tr> <tr> <td data-bbox="358 1919 475 1950">2</td> <td data-bbox="475 1919 1073 1950"> <ul style="list-style-type: none"> <li>• Financial Options, Chapter 9</li> </ul> </td> <td data-bbox="1073 1919 1421 1950">C9: Problems 2, 3, 4</td> </tr> </tbody> </table>			Week	Topic and Chapter	Assignments	1	<ul style="list-style-type: none"> <li>• Financial Statements Analysis, Chapter 4</li> <li>• Cash Flow Estimation, Chapter 12</li> </ul>	*Case 1: Ratio analysis of assigned company C12: Problems 1, 2, 3, 4, 8 <b>Due Beginning of Week 2</b>	2	<ul style="list-style-type: none"> <li>• Financial Options, Chapter 9</li> </ul>	C9: Problems 2, 3, 4
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		<ul style="list-style-type: none"><li>• Real Options, Chapter 13</li></ul>	C13: Problem 1 <b>Due Beginning of Week 3</b>
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3	<ul style="list-style-type: none"> <li>• Corporate Valuation, Chapter 15</li> <li>• Dividends and Repurchase, Chapter 18</li> <li>• Investment Banking, Chapter 19</li> </ul>	C15: Problems 1, 2 C18: Problems 1, 5, 6, 8 C19: Problems 1, 2, *Case 2: C19 Minicase <b>Due Beginning of Week 4</b>
4	<ul style="list-style-type: none"> <li>• Lease Financing, Chapter 20</li> </ul>	C20: Problems 1, 2, 3, 4 <b>Due Beginning of Week 4</b>
5	<ul style="list-style-type: none"> <li>• Mid-term</li> <li>• Hybrid Financing, Chapter 21</li> </ul>	C21: Problems 1, 2, 3, 6 <b>Due Beginning of Week 6</b>
6	<ul style="list-style-type: none"> <li>• Derivatives, Chapter 23</li> </ul>	C23: Problems 3, 4, 5 *Case #3 <b>Due Beginning of Week 7</b>
7	<ul style="list-style-type: none"> <li>• Bankruptcy, Chapter 24</li> <li>• Mergers and Divestitures, Chapter 25</li> </ul>	C24: Problems 2, 3 C25: Problems 1, 2, 3 <b>Due Beginning of Week 8</b>
8	<ul style="list-style-type: none"> <li>• Multinational Financial Management, Chapter 26</li> </ul>	C26: Problems 1, 2, 10 In-depth Analysis <b>Due Beginning of Week 8</b>
9	<ul style="list-style-type: none"> <li>• Course Wrap-up</li> <li>• Final examination</li> </ul>	
<p><u>*Written Cases and In-depth Analysis</u></p> <ol style="list-style-type: none"> <li>1. Written case 1: Brinker International. Download financial statements (income statement and balance sheet) from the Internet (<a href="http://www.brinker.com">www.brinker.com</a>). Refer to the minicase at the end of Chapter 4 and do Parts b, c, d, e, f, g, h, i for Brinker. Disregard all references to 2008E since you don't have such projections for Brinker. All work must be typed, double spaced.</li> <li>2. Written case 2: Chapter 19 minicase, typewritten, double spaced, as long as necessary to answer all questions.</li> <li>3. Written case 3: Select a topic on any issue covered in this class. Typewritten paper, double spaced, no longer than 2 pages plus a bibliography. Your own analysis is by far the most important part of the case. The case will be presented to the class if time permits (plan for no more than 5 minutes).</li> <li>4. In-Depth Company analysis. Choose a company that is listed on a stock exchange, and whose financials you can acquire online or in print. <ul style="list-style-type: none"> <li>• A brief interim report is due Week 4. The interim report should identify the company you select and a brief outline of the approach you plan to take.</li> <li>• Spread 3 years of financials for the company using Excel. (Do actual fiscal year-ends, not estimated.)</li> <li>• In all calculations, use real numbers from the financials, not reported ratios provided by online and other sources.</li> <li>• Collect stock data—price, shares outstanding, etc.</li> <li>• Calculate financial ratios, and compare to industry average. What can you conclude from the ratios? Any warning signs? Anything that stands out?</li> <li>• Perform common size analysis. What does this analysis tell you about your company? Are there any trends apparent with either the industry or your firm?</li> <li>• Use the extended DuPont equation to provide a summary and overview of your firm's financial condition. (From Profit Margin, Total Asset Turnover, and equity multiplier)</li> <li>• Calculate the cost of each capital component, after-tax cost of debt, cost of preferred (if any), and cost of equity with the DCF method and CAPM method.</li> <li>• What do you estimate the company's WACC?</li> <li>• What is your summary of this company's financial condition?</li> <li>• What major factors should the company be aware of as it evaluates possible investment projects in the future?</li> </ul> </li> </ol>		

	<ul style="list-style-type: none"> <li>• Would you be interested in investing in this company? Why or why not?</li> <li>• Are there additional factors that aren't a part of this case that you would investigate before making a decision and, if so, what factors?</li> <li>• The cases should be 5-10 pages, double-spaced, plus a bibliography and as many exhibits/attachments as you wish.</li> <li>• Be prepared to give a brief presentation of your analysis</li>   <li>• As with all assignments, the more closely I can follow your methodology and “see” where your numbers come from the better the outcome.</li>   <li>• Following the library’s website you can get to a good list of D&amp;B industry financial ratios. <ul style="list-style-type: none"> <li>▪ <a href="http://library.webster.edu/">http://library.webster.edu/</a></li> <li>▪ <a href="http://library.webster.edu/netresearch/busmgmt.html">http://library.webster.edu/netresearch/busmgmt.html</a></li> <li>• <a href="http://80-kbr.dnb.com.library3.webster.edu/KBR_Main.asp">http://80-kbr.dnb.com.library3.webster.edu/KBR_Main.asp</a></li> </ul> </li> </ul>
<b>Additional Information</b>	Blackboard will be used for most outside the classroom communications. We will discuss this requirement the first week of class.

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