

Course	FINC 5880 Advanced Corporate Finance	
Term	Spring 2, 2010	
Instructor	Lorraine Gilbertson 816-478-6604 gilbertl@webster.edu	
Catalog Description	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.	
Prerequisites	FINC 5000-Finance	
Course Level Learning Outcomes	Outcome	Expectation
	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.
Materials	<ul style="list-style-type: none"> • Brigham, Eugene F. and Michael C. Ehrhardt, Financial Management, Theory and Practice, South-Western, use most recent edition • Financial Calculator and/or access to Excel • Access to Wall Street Journal &/or other business news sources. <p>Text is available through MBS Direct Books at 1-800-325-3252 or www.mbsdirect.net. Checks and credit cards accepted.</p>	

<p>Grading</p>	<table border="1" data-bbox="420 249 1002 403"> <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>40%</td> </tr> <tr> <td></td> <td>100%</td> </tr> </table> <table border="1" data-bbox="420 462 1002 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>The GRADUATE catalog provides these guidelines and grading options:</p> <ul style="list-style-type: none"> • A/A- Superior graduate work • B+/B/B- Satisfactory graduate work • C Work that is barely adequate as graduate-level performance • CR 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. • F Work that is unsatisfactory • I Incomplete work • ZF 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. • IP In progress • NR Not reported • W Withdrawn from the course 	Weight:		Mid-term exam	30%	Final exam	30%	Cases/Quizzes/Homework	40%		100%	Cutoff for:		A range	90%	B range	80%	C range	70%
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<p>Activities</p>	<ul style="list-style-type: none"> • Attend Class. Class attendance is expected. • Students are encouraged to participate actively in class in regard to analysis and discussion of reading material, lecture material, problems, and cases. • 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. • 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 in the completion of the homework assignments and other course requirements. • Students should expect to spend substantial amounts of time, in and out of class, to keep up with readings and assignments. • Required articles may be distributed in class, be on reserve in the library, or you may be required to find the article. • A comprehensive financial analysis of a company. 																		
<p>Policy Statements: University Policies</p>	<p>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 following policies are of particular interest:</p> <p><i>Academic Honesty</i></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</p>																		

it.

Drops and Withdrawals

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.

Special Services

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.

Disturbances

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.

Student Assignments Retained

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.

Contact Hours for this Course

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.

Course Policies	<p>If you miss class you are responsible for getting notes and assignments.</p> <p>All assignments are due on the date indicated on the syllabus, or as modified in class. A late penalty will apply for all work turned in late unless an extension is approved in advance by the instructor.</p>																														
Weekly Schedule	<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. All assignments must be completed in typewritten format.</p>																														
	<table border="1"> <thead> <tr> <th data-bbox="410 457 522 514">Week</th> <th data-bbox="531 457 1117 514">Topic and Chapter</th> <th data-bbox="1125 457 1461 514">Assignments</th> </tr> </thead> <tbody> <tr> <td data-bbox="410 520 522 745">1</td> <td data-bbox="531 520 1117 745"> <ul style="list-style-type: none"> • Financial Statements Analysis, Chapter 4 • Cash Flow Estimation, Chapter 12 </td> <td data-bbox="1125 520 1461 745"> C12: Problems 1, 2, 3, 4, 8 Due Beginning of Class Week 2 *Case 1 Due beginning of Class Week 3 </td> </tr> <tr> <td data-bbox="410 751 522 865">2</td> <td data-bbox="531 751 1117 865"> <ul style="list-style-type: none"> • Financial Options, Chapter 9 • Real Options, Chapter 13 </td> <td data-bbox="1125 751 1461 865"> C9: Problems 2, 3, 4 C13: Problem 1 Due Beginning of Class Week 3 </td> </tr> <tr> <td data-bbox="410 871 522 1045">3</td> <td data-bbox="531 871 1117 1045"> <ul style="list-style-type: none"> • Corporate Valuation, Chapter 15 • Dividends and Repurchase, Chapter 18 • Investment Banking, Chapter 19 </td> <td data-bbox="1125 871 1461 1045"> C15: Problems 1, 2 C18: Problems 1, 5, 6, 8 C19: Problems 1, 2, *Case 2: C19 Minicase Due Beginning of Class Week 4 </td> </tr> <tr> <td data-bbox="410 1052 522 1165">4</td> <td data-bbox="531 1052 1117 1165"> <ul style="list-style-type: none"> • Lease Financing, Chapter 20 </td> <td data-bbox="1125 1052 1461 1165"> C20: Problems 1, 2, 3, 4 Due Beginning of Class Week 4 </td> </tr> <tr> <td data-bbox="410 1171 522 1375">5</td> <td data-bbox="531 1171 1117 1375"> <ul style="list-style-type: none"> • Mid-term • Hybrid Financing, Chapter 21 </td> <td data-bbox="1125 1171 1461 1375"> C21: Problems 1, 2, 3, 6 *Interim report on Case 4 Due Beginning of Class Week 6 </td> </tr> <tr> <td data-bbox="410 1381 522 1495">6</td> <td data-bbox="531 1381 1117 1495"> <ul style="list-style-type: none"> • Student presentations • Derivatives, Chapter 23 </td> <td data-bbox="1125 1381 1461 1495"> C23: Problems 3, 4, 5 *Case #3 Due Beginning of Class Week 7 </td> </tr> <tr> <td data-bbox="410 1501 522 1648">7</td> <td data-bbox="531 1501 1117 1648"> <ul style="list-style-type: none"> • Student presentations • Bankruptcy, Chapter 24 • Mergers and Divestitures, Chapter 25 </td> <td data-bbox="1125 1501 1461 1648"> C24: Problems 2, 3 C25: Problems 1, 2, 3 Due Beginning of Class Week 8 </td> </tr> <tr> <td data-bbox="410 1654 522 1795">8</td> <td data-bbox="531 1654 1117 1795"> <ul style="list-style-type: none"> • Student presentations • Multinational Financial Management, Chapter 26 </td> <td data-bbox="1125 1654 1461 1795"> C26: Problems 1, 2, 10 Final report on in-depth Analysis Due Beginning of Class Week 8 </td> </tr> <tr> <td data-bbox="410 1801 522 1877">9</td> <td data-bbox="531 1801 1117 1877"> <ul style="list-style-type: none"> • Course Wrap-up • Final examination </td> <td data-bbox="1125 1801 1461 1877"></td> </tr> </tbody> </table>	Week	Topic and Chapter	Assignments	1	<ul style="list-style-type: none"> • Financial Statements Analysis, Chapter 4 • Cash Flow Estimation, Chapter 12 	C12: Problems 1, 2, 3, 4, 8 Due Beginning of Class Week 2 *Case 1 Due beginning of Class Week 3	2	<ul style="list-style-type: none"> • Financial Options, Chapter 9 • Real Options, Chapter 13 	C9: Problems 2, 3, 4 C13: Problem 1 Due Beginning of Class Week 3	3	<ul style="list-style-type: none"> • Corporate Valuation, Chapter 15 • Dividends and Repurchase, Chapter 18 • Investment Banking, Chapter 19 	C15: Problems 1, 2 C18: Problems 1, 5, 6, 8 C19: Problems 1, 2, *Case 2: C19 Minicase Due Beginning of Class Week 4	4	<ul style="list-style-type: none"> • Lease Financing, Chapter 20 	C20: Problems 1, 2, 3, 4 Due Beginning of Class Week 4	5	<ul style="list-style-type: none"> • Mid-term • Hybrid Financing, Chapter 21 	C21: Problems 1, 2, 3, 6 *Interim report on Case 4 Due Beginning of Class Week 6	6	<ul style="list-style-type: none"> • Student presentations • Derivatives, Chapter 23 	C23: Problems 3, 4, 5 *Case #3 Due Beginning of Class Week 7	7	<ul style="list-style-type: none"> • Student presentations • Bankruptcy, Chapter 24 • Mergers and Divestitures, Chapter 25 	C24: Problems 2, 3 C25: Problems 1, 2, 3 Due Beginning of Class Week 8	8	<ul style="list-style-type: none"> • Student presentations • Multinational Financial Management, Chapter 26 	C26: Problems 1, 2, 10 Final report on in-depth Analysis Due Beginning of Class Week 8	9	<ul style="list-style-type: none"> • Course Wrap-up • Final examination 	
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* Cases

1. Case 1: Choose a company that is listed on a stock exchange, and whose financials you can acquire online or in print. The same company will also be used for Cases 3 and 4. Download financial statements for the three most recent years (income statement and balance sheet), complete all financial ratios, including the DuPont equation, and common size analysis—same as required in parts b, c, d, e, f, g, h, and i of the Chapter 4 minicase for 3 years. Do not do the Chapter 4 minicase. Do the company you selected. In all calculations, use real numbers from the financials, not reported ratios provided by online and other sources
2. Case 2: Chapter 19 minicase, typewritten, double spaced, as long as necessary to answer all questions.
3. Case 3: Prepare paper on the possible bankruptcy or financial distress of the company that the student selected for Case 1. The paper must be typewritten, double spaced, no longer than 4 pages plus bibliography listing sources of information. Each student will give a brief oral presentation in class, if time permits. The presentation should be between 5-10 minutes and include no more than 10 slides. Some issues you may wish to consider in preparing your case are:
 - The debt ratio, current ratio, and TIE.
 - Bond rating
 - Long-term debt
 - Interest rate paid on debt compared to average. Find interest rate in financial report, or estimate from interest expense shown on income statement divided by interest bearing debt on balance sheet, e.g., notes payable, bonds, and long-term debt.
 - Does the company have line of credit?
 - Lawsuits
 - Product recalls
 - Quality of assets
4. Case 4. Use the company selected for Cases 1 and 3.
 1. Choose a company whose financials you can acquire online or in print.
 2. Spread 3 years of financials for the company using Excel. Do actual fiscal year-ends, not estimated.
 3. In all calculations, use real numbers from the financials, not reported ratios provided by online and other sources.
 4. Collect stock data—price, shares outstanding, etc.
 5. Calculate financial ratios, and compare to industry average. What can you conclude from the ratios? Any warning signs? Anything that stands out? (You already did the calculations for Case 1.)
 6. 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? (You already did the calculations for Case 1.)
 7. 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 on.)
 8. Calculate the cost of each capital component, after-tax cost of debt, cost of preferred, and cost of equity with the DCF method and CAPM method.
 9. Estimate the company's WACC?
 10. What is your summary of this company's financial condition?
 11. What major factors should the company be aware of as it evaluates possible investment projects in the future?
 12. Would you be interested in investing in this company? Why or why not? Are there additional factors that you would investigate before making a decision, & if so, what factors?

	<p>In addition,</p> <ol style="list-style-type: none"> 13. An interim report is due Week 6. This report should build on Case 1 and include #4, 5, 6, 7, 8, and 9 above. 14. The final report should be comprehensive, including the material covered on the interim report as well as #10, 11, and 12 above. This report should be 8-10 pages, double-spaced, plus a bibliography and as many exhibits/attachments as you wish. 15. As with all assignments, the more closely I can follow your methodology and “see” where your numbers come from the better the outcome. 16. Several useful inks for industry financial ratios are: <p style="padding-left: 40px;">http://library.webster.edu/</p> <p style="padding-left: 40px;">http://80-kbr.dnb.com.library3.webster.edu/KBR_Main.asp</p> <p style="padding-left: 40px;">http://moneycentral.msn.com/investor/invsub/results/compare.asp?Symbol=EAT</p>
Additional Information	<p>Each student needs access to Blackboard. You can access Blackboard through your Connections account. Outside the classroom communications will be conducted through Blackboard. We will discuss this requirement the first week of class.</p>

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