# Advanced Corporate Finance

**FINC-5880**

3 Credits

05/27/2013 to 07/26/2013

**MEETING TIMES**

**Thursday**

6:00 PM to 10:00 PM, Jacksonville Metro Campus

5/30, 6/6, 6/13, 6/20, 6/27, 7/11, 7/18, 7/25

No class on Thursday, July 4 - Independence Day Holiday (Make-up class TBD by Instructor)

**CONTACT INFORMATION**

Name: Joe Howell
Phone (C): 904-616-3474
Email: jaxowl@hotmail.com

**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.

**Requisites**

FINC 5000

**OBJECTIVES**

**OUTCOMES**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Expectation</th>
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<tbody>
<tr>
<td>1. Students can determine the value of fixed income securities</td>
<td>Students can calculate the implied value of convertible securities as well as the value of bonds-with-warrants.</td>
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<tr>
<td>2. Students can analyze capital budgeting decisions using standard methodologies</td>
<td>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.</td>
</tr>
<tr>
<td>3. Students can explain the impact of</td>
<td>Students can determine the impact of changes in cost of equity.</td>
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</tbody>
</table>
capital structure decisions on financial performance and cost of capital 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.

REQUIRED TEXTBOOK

Financial Management, Theory and Practice

Author: Brigham, Eugene F. And Michael C. Ehrhardt
Publisher: South-Western
Edition: Please Use Most Recent Edition


MATERIALS


DELIVERABLES

Pre-Assignment Project:

- The Pre-Assignment project is worth 10% of the final grade.
- Please ensure that all requirements are sufficiently satisfied and all questions in the syllabus are answered clearly, completely and directly.
- Late submission of the Pre-Assignment project will be subject to a reduction in awarded credit of at least one grade.
- The Pre-Assignment project must be prepared according to the APA format. There is no minimum or maximum length for the project. Be certain to ensure satisfactory financial numerical analysis and support for your position.
- At least three (3) internet references are required to satisfy the minimum research requirements for the project. Other sources may also be used. Projects shall be supported by an appropriate degree of documentation in good form, including but not limited to graphs, charts, quoted verbiage, attachments, etc.
- The Pre-Assignment project will be graded on (1) effective financial analysis and (2) efficiency of content.
  - Effective financial analysis is judged by the ability of the student to present their own critical financial
Efficiency is judged by the conciseness of the student’s approach towards case resolution and the associated narrative supporting the student’s financial analysis and position. Excessive writing is not encouraged.

In addition, the pre-assignment project, as well as all cases, will be graded for punctuation, sentence structure, spelling, citations, and bibliography. Students must always use proper business terminology.

Group Cases:

- Group case studies are worth 20 points each for a total of 40% of the final grade. Of the 20 points, 15 points will be awarded based on the overall grade of the project and 5 points from evaluations of the student’s contributions to the PowerPoint presentations.
- Grades will be determined based on financial analysis and analytical methodologies, logic and clarity of approach and use of appropriate supporting theory, and conclusions and recommendations. Peer evaluations will be performed of respective team members and will be included in the allocation of points within the group.
- **Group cases must be prepared in the APA format** and will be graded on (a) effective financial analysis and (b) efficiency of content. Also, cases will be graded for punctuation, sentence structure, and spelling.
- The cases are due at the beginning of class. Late submissions will not be accepted.

Individual Case Studies:

- Five individually prepared case studies will be formally prepared and submitted to the instructor for grading. These are worth 8 points each for a total of 40% of the final grade.
- **Each case must be prepared in the APA format** and generally should not be more than 3 pages of original financial analysis and thought in length. Supporting analysis, documentation, charts and graphs are encouraged and will not count against the 3-page maximum. Ensure proper referencing and citations.
- Individual cases will be graded on (a) effective financial analysis and (b) efficiency of content. Also, cases will be graded for punctuation, sentence structure, and spelling.
- The cases are due at the beginning of class. Late submissions will not be accepted.

Class Participation and Attendance:

- Students are expected to attend all class sessions (10% of the final grade) of every course for the full 36 contact hours. In the case of unavoidable absence, the student must contact the instructor. The student is subject to appropriate academic penalty for incomplete or unacceptable makeup work, or for excessive or unexcused absences. Generally, a student who misses more than one four-hour course period (per course) without a documented military or medical excuse and advanced permission of the instructor should withdraw from the class. The University reserves the right to involuntarily drop enrolled students from classes, which they do not attend. **PLEASE BE ADVISED:** Students who do not attend the first class session, who have not made prior arrangements with the instructor for being absent, will be dropped from their courses.
- Attendance the last day of class is mandatory to ensure that all work is completed and to be awarded a passing grade. An Incomplete will not be acceptable without documentary proof (Death Notice, Doctor’s Letter, etc.) as to absence relating to non-completion of class work. These must be faxed 904-262-1459 or dropped off to Webster University by the Monday after the term ends.
- Participants are expected to arrive on time and be actively involved in the learning experience. Each student should desire to learn, participate, and proactively contribute to the learning of others during each discussion and exercise.
- Students are to participate in classroom discussions. The discussions are an opportunity for students to reveal their understanding of the assignments made for the current and previous classes.
- Assignments are given to prepare the student to participate in class discussions; therefore, it is imperative that reading assignments and associated questions for discussion be completed prior to class.
- A maximum of 10 points will be awarded based on the level and quality of participation and preparation.
- Failure to turn in an assignment within one week will result in a grade of "0" for that assignment. In addition, failure to submit an assignment will lower the final grade by an additional two points.
- All assignments are due as detailed in the Course Schedule.
- Late assignments will be accepted, if they are turned in **no later** than one week later, but will be
EVALUATION

Breakdown

<table>
<thead>
<tr>
<th>Assignments</th>
<th>Maximum Points</th>
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<tbody>
<tr>
<td>• Group Case Exam #1:</td>
<td></td>
</tr>
<tr>
<td>○ Group Project Grade</td>
<td>15 Points</td>
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<tr>
<td>○ Individual Contribution Grade</td>
<td>5 Points</td>
</tr>
<tr>
<td>• Group Case Exam #2:</td>
<td></td>
</tr>
<tr>
<td>○ Group Project Grade</td>
<td>15 Points</td>
</tr>
<tr>
<td>○ Individual Contribution Grade</td>
<td>5 Points</td>
</tr>
<tr>
<td>• Individually Prepared Cases (4 cases)</td>
<td></td>
</tr>
<tr>
<td>○ Project Grade (10 Points each)</td>
<td>40 Points</td>
</tr>
<tr>
<td>• Pre-Assignment</td>
<td>10 Points</td>
</tr>
<tr>
<td>• Class Participation and Attendance</td>
<td>10 Points</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100 Points</td>
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</tbody>
</table>

Letter grades will be assigned pursuant to the following scores based on the percent of the total possible points (weighted according to the scale above) that you earned in the course.

<table>
<thead>
<tr>
<th>Percentage of Total Points</th>
<th>Grade</th>
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<tbody>
<tr>
<td>95%-100%</td>
<td>A</td>
</tr>
<tr>
<td>90%-94%</td>
<td>A-</td>
</tr>
<tr>
<td>88%-89%</td>
<td>B+</td>
</tr>
<tr>
<td>84%-87%</td>
<td>B</td>
</tr>
<tr>
<td>80%-83%</td>
<td>B-</td>
</tr>
<tr>
<td>70%-79%</td>
<td>C</td>
</tr>
<tr>
<td>Below 70%</td>
<td>F</td>
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Criteria
Sometimes circumstances beyond one’s control may require that they miss a scheduled class. If necessary, it is the student's responsibility to get any missed lecture notes or handouts. If you are unable to make it to class to turn in an assignment, make arrangements with a classmate to turn in your work &/or contact me prior to class. You are responsible for what takes place or is announced in class.

Test dates are scheduled in advance. Please do not ask to re-schedule tests. There will be NO makeup exams, except in the rarest of circumstances. I must be contacted prior to the scheduled exam for consent. The instructor reserves the right to schedule any makeup at any time, including and especially, finals week.

**Make-Up Requirements**

- For each class hour missed, a one (1) page, double-spaced, typed paper, with one (1) reference will be submitted by the end of the term. The topic will be specific to the information covered in the missed class. A four (4) hour class will require four (4) pages supported with (4) references from popular or academic press.
- This paper will be graded and incorporated in the class participation grade. If the make-up work is not submitted, the student's final grade will be reduced one (1) letter grade.
- (Students are responsible for any class material presented during their absence, and any assignments due should be submitted prior to the absence, if possible).

**University Policies**

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:

**Academic Honesty**

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.

**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 Add/Drop/Withdraw section of the academic catalog for further information and to find the deadlines 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.

Grading

Please refer to the most recent academic catalog for information on the Webster University grading policy.

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, the content must be covered at another time.

SCHEDULE

Pre-Assignment for Session 1:


Write a two page paper answering the following questions:

Should a company’s primary goal be to maximize the wealth of its stockholders? Would the firm’s managers, employees, customers, suppliers, and “clear-headed citizens” all agree that management should focus primarily if not solely on wealth maximization? What other goal or goals might management focus on? If a firm’s directors believe that management should focus primarily on shareholder wealth maximization, what actions could they take to insure that management focuses on this goal?

Session 1

THEME: Financial Analysis-Review

Topics:
- Course introductions
- Review syllabus
- How to study and discuss cases
- Lecture & Discussion: Pre-assignments
- Chapter 3: Analysis of Financial Statements

Assignments for Session 2:
- Read Chapters 13 and 14 in textbook Financial Management.
- Read the introduction in Bruner: Note to the Student:
How to Study and Discuss Cases.

<table>
<thead>
<tr>
<th>Session 2</th>
<th>Topics:</th>
</tr>
</thead>
</table>
|           | • Chapter 13: Corporate Valuation  
|           | • Chapter 14: Distribution to Stockholders  
|           | • Lecture & Discussion |

**Assignments for Session 3:**

- Chapter 15
- Individual Case #1 (TBA)

<table>
<thead>
<tr>
<th>Session 3</th>
<th>Topics:</th>
</tr>
</thead>
</table>
|           | • Chapter 15 Capital Structure  
|           | • Lecture & Discussion – Capital Structure & Dividend Policy |

**Assignments for Session 4:**

- Chapters 18 and 20
- Group Case #1 (TBA)

<table>
<thead>
<tr>
<th>Session 4</th>
<th>Topics:</th>
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</thead>
</table>
|           | • Chapter 20: Initial Public Offerings, Investment Banking, and Financial Restructuring  
|           | • Chapter 18: Lease Financing  
|           | • Lecture & Discussion-Leasing |

**Assignments for Session 5:**

- Chapter 19
- Individual Case #2 (TBA)

<table>
<thead>
<tr>
<th>Session 5</th>
<th>Topics:</th>
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</table>
|           | • Chapters 19  
|           | • Lecture & Discussion: When Genius Failed-LTCM |

**Assignments for Session 6:**

- Chapter 16
- Individual Case #3

<table>
<thead>
<tr>
<th>Session 6</th>
<th>Topics:</th>
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</table>
|           | • Chapter 16: Working Capital Management  
|           | • Lecture & Discussion- Working Capital Management |

**Assignments for Session 7:**

- Chapter 22
- Read Case: Long Term Capital Management (e-reserves)

<table>
<thead>
<tr>
<th>Session 7</th>
<th>Topics:</th>
</tr>
</thead>
</table>
|           | • Chapter 22: Bankruptcy, Liquidation, and Reorganization  
|           | • Lecture & Discussion: |

**Assignments for Session 8:**

- Chapter 17 & 21
- **INDIVIDUAL CASE 4:** Webster Assessment (TBA)
<table>
<thead>
<tr>
<th>Session 8</th>
<th>Topics:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Chapter 21: Mergers, LBO's, Divestures, and Holding Companies</td>
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<tr>
<td></td>
<td>- Chapter 17: Multinational Financial Management</td>
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<td></td>
<td>- Lecture &amp; Discussion</td>
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</tbody>
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**Assignments for Session 9:**
- **GROUP CASE 2:** Presented as a final

<table>
<thead>
<tr>
<th>Session 9</th>
<th>Topics:</th>
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<tbody>
<tr>
<td></td>
<td>- Final Presentation – Group Case 2</td>
</tr>
<tr>
<td></td>
<td>- Course evaluation</td>
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</tbody>
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