

Corporate Finance

COURSE INFORMATION

BUS/FIN | 300-level | 3 credits | 45 contact hours

Professor: Michael Carr

| Email: Provided onsite

REQUIRED TEXTBOOKS & COURSE MATERIALS

Essentials of Corporate Finance, 7th ed. By Ross, Westerfield and Jordan, McGraw Hill, 2010
ISBN-10: 0073382469

DESCRIPTION

Besides corporate decision-making from the CFO's perspective regarding their firm's financing arrangements—the debt/equity mix, e.g., bonds, loans or stock—, we will evaluate what the retail landscape has to offer the individual investor thinking of retirement and personal portfolio decisions/weights. Business/Financial management topics include the importance of cash flow—especially DCF, the Time Value of Money, Net Present Value and the volatility of returns given past—and *recent*—market history. Currency (Exchange Rate Risk)—the FX market—will also be considered. Discussion of business ethics will be timely and frequent and well.

STUDENT LEARNING OUTCOMES

Upon successful completion of this course, students will be able to:

- Demonstrate familiarity with the symbols and terminology associated with the field of financial management.
- Solve compounding and discounting problems relevant to time's effect upon the value of money.
- Successfully apply various models (i.e., formulas and techniques) to particular financial problems and exercises such as risk and return, valuation, capital budgeting, and cost of capital.
- Demonstrate an understanding of investing fundamentals.
- Use financial data to explain real life business and personal decisions.

OUTLINE

Term-specific information provided onsite.

Session	Topic / Subject	Read	Homework
1	Introduction—Review of Syllabus and Text	Ch. 1	Concept Questions
2	Types of Financial Management Decisions— <i>Make or Buy?</i> Agency Problems and Corporate Ownership— <i>TRUST</i> Primary and Secondary Markets— <i>IPOs and retail products</i>	Ch. 2	Concept Questions
3	The Balance Sheet vs. The Income Statement Taxes, Cash Flow and the Cash Flow Identity Summarizing “Cash Flow from Assets”	Ch. 3	Concept Questions

4	Standardizing Balance Sheets and Income Statements Trends or Ratio Analysis— <i>Fortune Tellers vs. the Quants</i> Du-Pont Identity— <i>Decomposing Return on Equity--ROE</i>	Ch. 1, 2, 3 again	Study for Evaluation 1
5	Evaluation 1—20% of Final Grade	Ch.18	Concept Questions
6	The Foreign Exchange Market and Exchange Rates Purchasing Power Parity; Big Mac Index (burger-nomics) Arbitrage and Risk: <i>FX Market, Interest and Inflation Rates</i>	Ch. 4	Concept Questions
7	The Time Value of Money—balancing Inflation against Interest Future Value and Compounding—find the <i>Number of Periods</i> Present Value and Discounting—find the <i>Discount Rate</i>	Ch. 5	Concept Questions
8	Putting a Value on Discounted Cash Flows Annuities, Perpetuities, Trust Funds Loan Types and Comparing Rates—the “Compounding” effect	Ch. 18, 4, 5 again	Study for Evaluation 2
9	Evaluation 2—20% of Final Grade	Ch. 6	Concept Questions
10	Valuing Bonds, Agencies’ Bond Ratings, the Bond Markets Fisher Effect—Relation between Interest Rates and Inflation The Yield Curve—10 years and 30 years are both long times!	Ch. 15	Concept Questions
11	Raising Capital—Venture and IPOs Underwriters and the costs associated with issuing securities The phenomenon of “Under-pricing”	Ch. 7	Concept Questions
12	Common Stock Valuation and some special growth cases Putting a Value on "Common" and "Preferred" Stock The Stock Markets	Ch. 6, 15, 7 again	Study for Evaluation 3
13	Evaluation 3—20% of Final Grade	Ch. 14	Concept Questions
14	Dividends and Dividend Policy High (or Low) Payout Dividend Policy? Stock “Repurchases” and “Splits”	Ch. 8	Concept Questions
15	Net Present Value Internal Rate of Return: an "NPV" alternative The Profitability Index	Ch. 9	Concept Questions
16	Making Capital Investment Decisions Project Cash Flow Requirements and Incremental Cash Flows Pro Forma Statements: OCF, Δ 'es in NWC, Capital	Ch. 14, 8, 9 again	Study for Evaluation 4

	Spending		
17	Evaluation 4—20% of Final Grade	Ch. 10	Concept Questions
18	Market History since the Depression (and the Recession!) The Variability of Returns in the face of "Average Returns" Spontaneous Order: Capital Market "Efficiency"	Ch. 11	Concept Questions
19	Return... (on Investment) Risks: Systematic-(β), Unsystematic and Portfolio Decisions The Security Market Line	Ch. 10, 11 again	Study for Final Evaluation
20	Evaluation 5—20% of Final Grade	Good Luck	

GRADES

Course Requirements:

Evaluation 1

TBA

Evaluation 2

TBA

Evaluation 3

TBA

Evaluation 4

TBA

Evaluation 5

TBA

Assessment:

Evaluation 1: 20%

Evaluation 2: 20%

Evaluation 3: 20%

Evaluation 4: 20%

Evaluation 5: 20%

Grade Scale:

A	100-93	C	76-73
A-	92-90	C-	72-70
B+	89-87	D+	69-67
B	86-83	D	66-63
B-	82-80	D-	62-60
C+	79-77	F	59-00

DISABILITY POLICY

Every effort will be made to accommodate students with disabilities or special learning needs. If you have a documented disability for which you have already requested accommodations through the USAC Central office, your instructor will have been notified so that arrangements can be made early in the term.

ACADEMIC HONESTY POLICY

Plagiarism, cheating, submitting work of another person or work previously used and other forms of academic dishonesty will lead to lowered course grades, failure of the course or more severe measures, depending on judgments of the gravity of the individual case.

STATEMENT ON AUDIO AND VIDEO RECORDING

Surreptitious or covert video-taping of class or unauthorized audio recording of class is prohibited by law and by USAC policy. This class may be videotaped or audio recorded only with the written permission of the instructor. In order to accommodate students with disabilities, some students may have been given permission to record class lectures and discussions. Therefore, students should understand that their comments during class may be recorded.