

## Corporate Finance

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### COURSE INFORMATION

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

**Professor:** Michael Carr

| **Email:** Provided onsite

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### REQUIRED TEXTBOOKS & COURSE MATERIALS

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*Essentials of Corporate Finance, 7<sup>th</sup> ed.* By Ross, Westerfield and Jordan, McGraw Hill, 2010

ISBN-10: 0073382469

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### DESCRIPTION

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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.

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### STUDENT LEARNING OUTCOMES

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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.

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### OUTLINE

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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

<b>4</b>	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>	<b>Ch. 1, 2, 3 again</b>	Study for Evaluation 1
<b>5</b>	Evaluation 1—20% of Final Grade	<b>Ch.18</b>	Concept Questions
<b>6</b>	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>	<b>Ch. 4</b>	Concept Questions
<b>7</b>	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>	<b>Ch. 5</b>	Concept Questions
<b>8</b>	Putting a Value on Discounted Cash Flows Annuities, Perpetuities, Trust Funds Loan Types and Comparing Rates—the “Compounding” effect	<b>Ch. 18, 4, 5 again</b>	Study for Evaluation 2
<b>9</b>	Evaluation 2—20% of Final Grade	<b>Ch. 6</b>	Concept Questions
<b>10</b>	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!	<b>Ch. 15</b>	Concept Questions
<b>11</b>	Raising Capital—Venture and IPOs Underwriters and the costs associated with issuing securities The phenomenon of “Under-pricing”	<b>Ch. 7</b>	Concept Questions
<b>12</b>	Common Stock Valuation and some special growth cases Putting a Value on "Common" and "Preferred" Stock The Stock Markets	<b>Ch. 6, 15, 7 again</b>	Study for Evaluation 3
<b>13</b>	Evaluation 3—20% of Final Grade	<b>Ch. 14</b>	Concept Questions
<b>14</b>	Dividends and Dividend Policy High (or Low) Payout Dividend Policy? Stock “Repurchases” and “Splits”	<b>Ch. 8</b>	Concept Questions
<b>15</b>	Net Present Value Internal Rate of Return: an "NPV" alternative The Profitability Index	<b>Ch. 9</b>	Concept Questions
<b>16</b>	Making Capital Investment Decisions Project Cash Flow Requirements and Incremental Cash Flows Pro Forma Statements: OCF, $\Delta$ 'es in NWC, Capital	<b>Ch. 14, 8, 9 again</b>	Study for Evaluation 4

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

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## GRADES

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### 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

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**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.

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**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.

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**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.