

## **BUSFIN 4211: Corporate Finance**

Spring 2020

Professor Jack Liebersohn

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Office Hours: With Daisy Wang, Fridays 2:30PM-3:30PM in Fisher 304, or by appointment with the Professor.

### **Course Description**

The course introduces students to key concepts in financial management, including financial securities, capital budgeting, risk and return, cost of capital, capital structure, and real options. The course covers financial economics theory as well as empirical evidence on corporate financial policies and applications. It is intended for students aspiring to careers in finance.

### **Course Material**

Textbook: *Fundamentals of Corporate Finance*, 4<sup>th</sup> Edition, by Berk, DeMarzo, and Harford.

The textbook is the primary source of pre-lecture readings. However, problems from the book will not be graded, so you are welcome to use earlier editions of the book or purchase chapters individually as you see fit.

The case packet must be purchased from Harvard Business Review website. Follow this link and it will walk you through the steps to set up an account to purchase the packet:

<https://hbsp.harvard.edu/import/687879>

To help facilitate learning, I will post optional extra practice problems to the Canvas website that students are encouraged to solve as part of their studying. The problems on the quizzes and exams will resemble the examples from the lecture slides as well as the practice problems.

### **Attendance**

Students are expected to attend all lectures, and attendance will be marked. This includes attendance at case discussions and guest speakers. If you need to miss an occasional lecture, there is no need to notify me but you are responsible for learning anything that is missed. If you skip class regularly, it will be reflected in your participation grade.

Students need to bring their name tents to all classes. If you forget it, you are asked to build a temporary one for the day.

Attendance at quizzes and exams is mandatory. **There are no make-ups for the exams**, except with my permission **prior to** the exam or with evidence of a clear emergency\* (e.g. hospitalization) that prevented you from obtaining such permission. My permission will only be granted if you have a legitimate conflict\*. You must inform me as soon as possible and by the end of the second week of classes (i.e., please check now to ensure the exam days do not conflict with a religious holiday, etc.). If you think you will miss an exam (1) contact me as soon as possible and (2) bring

reliable proof of legitimate conflict (doctors' notes\*\*, copy of death certificate, etc.). Without clear and hard evidence, you will get no credit and will not be allowed to retake the exam.

Please ask your relatives to remain healthy during these periods because you won't be able to take the exam remotely. Please do not book a flight before consulting the exam schedule. Please tell your cousin not to get married these days.

\*The following events are not considered legitimate conflicts for this course: interviews, weddings, birthdays, international flights, traffic, alarm/phone malfunctioning and so on.

\*\*Doctors' notes accepted for this course need to state that the student is unable to attend the class on the date of the class, with doctors' signature, address and phone number. Online doctors' notes are not accepted.

*Anything mentioned in class, in assignments, during cases, or by speakers is "fair game" for exams.* All exams are the property of the instructor. Quizzes and exams should be taken individually without any assistance. During exams, turn off cell phones. You may be asked to change seats during exams. You need to present a photo ID at the exams and make sure you have a **pencil** and **calculator**.

## **Grading**

<b>Item</b>	<b>Weight</b>
Participation	5
Case Preparation	25
Quizzes	25
Midterm	20
Final Exam	25
Total	100

### **• Participation**

Participation in class discussions of cases and asking questions during lectures will be rewarded. Late arrivals, repeatedly missed lectures, and use of phones and laptops in class will be penalized. I have full discretion over the grading of participation.

### **• Case Preparation**

For case discussions, you will be given preparation questions to help guide your analysis. At a minimum, you should address the study questions prior to class, but I encourage you to think about relevant issues beyond the questions in the guidelines. The case grade reflects both your preparation of the case materials and your participation in the case discussion. Three grades are possible: "Check minus," "check," or "check plus."

You may work in groups of 1 to 4 students, but each student must turn in an answer sheet **before** the beginning of the next class on due date. It is fine to hand in the same answer sheet, but students

working in group must write clearly the names of the other students from their group. Late assignments will be accepted, but only **within one week** and only for a “check minus” grade.

- **Quizzes**

There are 7 quizzes over the course of the semester, including one online quiz prior to the Lady M case (around class 18). The lowest 2 scores are dropped, so each of the 5 graded quizzes counts for 5% of the final grade. Quizzes will take place during the first 20 minutes of class on the dates in the course schedule. Students who arrive late to class may take the quiz but will not be given extra time. Because the lowest 2 quizzes are dropped, there will be no make-up quizzes. You need to make sure you have a **pencil** and **calculator** to take quizzes.

- **Midterm**

The midterm will take place in class on February 20<sup>th</sup> in your normal classroom, during the normal class hour. It will consist of multiple choice problems testing material from the first half of the course.

- **Final Exam**

The final exam will take place at the designated time for your section. It will consist of multiple choice problems. It is cumulative and places more weight on the second half of the course, which builds on material from the first half.

## **Course Policies**

- **Professionalism**

Professionalism includes arriving on time and prepared, asking thoughtful questions, answering questions, and contributing to a positive classroom environment.

- **Course website**

I will maintain a website through Carmen. The URL is <https://carmen.osu.edu> I will use the website to post course slides, case preparation questions, and extra material.

- **Electronic Devices Policy**

Electronic device usage is prohibited in class, except with my permission given via email before usage. If you wish to use electronic devices for *any reason* (for example, note-taking) you will receive permission to do so and do not need to provide a reason, but you must email me ahead of time. My goal is to keep students away from distractions away from the lecture.

- **Grade Change Policy**

Grade appeals must be **in writing within one week** after the graded work is made generally available. The entire document will be checked for grading errors, and correcting these could either **raise** or **lower** the overall score.

- **Academic Misconduct**

Students are expected to be familiar with and abide by The Ohio State University’s code of student conduct, available at <https://trustees.osu.edu/rules/code-of-student-conduct/>. In accordance with OSU Faculty Rule 3333-5-487, all instances of academic misconduct will be reported to the

Committee on Academic Misconduct, which recommends appropriate sanctions to the Office of Academic Affairs. There will be no exception to this rule.

Case reports must be the own original work of your group. You may not use solutions prepared by current or former students. If you use information from outside sources in your case report, you must properly cite those sources.

- **Office of Disability Services (ODS)**

Any student who feels s/he may need an accommodation based on the impact of a disability should contact me privately to discuss his/her specific needs. Please contact the Office for Disability Services at 614-292-3307 in room 150 Pomerene Hall to coordinate reasonable accommodations for students with documented disabilities.

- **Letters of Recommendation**

I will only agree to write letters of recommendation after the course is over. If you do wish for me to write a letter of recommendation after the class is over, please email me and set up a time to meet and discuss in person. Unless there are special circumstances, I will be able to write a strong letter for students who earn an A or an A- in the course.

- **Time Expectations**

The University and College expectation is that students spend two hours outside of class for every hour spent in class. Since this course meets almost 3 hours per week, you should expect to spend around 6 hours per week outside of class on course-related work.

## Tentative Class Schedule

*Reminder: The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary. There will be outside speakers at dates TBD, so “Class 15” is the 15<sup>th</sup> lecture, not necessarily the 15<sup>th</sup> class. The midterm will be on February 20<sup>th</sup> and the final exam will be as per OSU’s official final exam schedule.*

The Reading section refers to the chapters in the BDH textbook.

Class	Material	Assignment	Reading
1	Introduction. Review of BusFin 3220	For next class: Study for quiz	Ch. 8
2	Quiz on time value of money. Financial decision making: Net present value.		
3	IRR, Multiples, Comparison with NPV	For next class: Do Upland case and study for quiz.	
4	Upland Case and quiz on valuation.		
5	Capital Budgeting I: Definitions		Ch.9
6	Capital Budgeting II: Incremental earnings, Free Cash Flows		
7	Capital Budgeting III: Method of comparables, NPV	For next class: Study for quiz	
8	Quiz on capital budgeting. Debt and Equity - Definitions: Payoff diagrams, seniority, claimants, types of instruments		Ch.15
9	Risk and Return: Systematic vs unsystematic risk, CAPM		Ch.12
10	Capital Structure I: MM, Capital markets, Leverage Myth	For next class: Review the first half and prepare questions.	Ch.16.2
	Review of First Half	For next class: Study for midterm	
	Midterm exam (in class)		
11	Capital Structure II: WACC without taxes		Ch.16.2
12	WACC with taxes	For next class: Do Marriott case	Ch. 16.3
13	Quiz on risk and return and capital structure. Case: Marriott		
14	Payout policy and review and the dividend discount model		Ch.7&17
15	Deviation 1 from MM: Issuance costs and pecking order theory		Ch.16.4-6

16	Deviation 2 from MM: Costs of Bankruptcy and tradeoff theory		
17	Deviation 3 from MM: Agency costs		
18	Maturity Matching. Valuation 1: DCF and comparables valuation.	For next class: Read Lady M case and do short online questionnaire. Study for quiz.	Ch.20.2 & Ch.10
19	Quiz on deviations from MM. Lady M Case discussion.		
20	Equity Financing 1: Private Equity and VCs		
21	Equity Financing 2: IPOs	For next class: Do Facebook case	Ch.14
22	Case: Facebook (IPO and DCF)	For next class: Study for quiz	
	Quiz, Spillover, Final Exam Review		
	TBD/Speaker		
	TBD/Speaker		
	TBD/Speaker		