

Syllabus

4219 - Advanced Corporate Finance

Spring Semester of 2020

Instructor: Kennia Papadakis – Senior Lecturer in Finance

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Office hours: Monday-Wednesday-Friday, 10 AM to 11 AM, or by appointment. Students are required to notify via email if planning to attend office hours.

The content of this document applies to all the following sections:

<u>Section</u>	<u>Monday / Wednesday / Friday</u>	<u>Room</u>
4306	11:30 AM – 12:25 PM	Schoenbaum 305
4444	12:40 PM – 01:35 PM	Schoenbaum 305
4308	01:50 PM – 2:45 PM	Schoenbaum 305

Course Description & Scope

This course is a capstone undergraduate elective in the area of Corporate Finance. The course helps students to bridge the gap between the theory of finance and the reality of decision-making as a financial manager through the use of real world case studies. Students learn to analyze issues, challenges and opportunities faced by the corporation, and to provide recommendations for a best course of action to the C-Suite or upper management team.

This is a full semester course and case study-based. We build upon financial principles and valuation tools covered in Corporate Finance and extend those to the application on topics like cost of capital, capital budgeting, new program / new product opportunity valuation, enterprise valuation, capital structure and the financing decision – debt versus equity; IPO pricing and process, as well as aspects of mergers and acquisitions like analysis of strategic fit and synergies case valuation.

Pre requisites are BUSFIN 4211 and 4221

Considering this is an advanced course in corporate finance, **students enrolled in this class are expected to be proficient in financial statement analysis, time value of money, basic investment decision rules as net present value, IRR, payback, and weighted average cost of capital (WACC).**

If needed, please take some time to review the recommended reading material available online on Canvas. To reach this content go to the class **Canvas>Modules>Fundamentals**. This content will be available for reference throughout the semester.

Similar content may also be found in the reference textbook: Fundamentals of Corporate Finance, 3rd edition, Berk | DeMarzo | Harford. Please refer to the following chapters as you see fit:

- Chapter 3 – Time Value of Money: An Introduction
- Chapter 4 – Time Value of Money: Valuing Cash Flow Streams
- Chapter 5 – Interest Rates

Course Material

There are no required textbooks for this class, however, the following are highly recommended as reference:

- 1) Corporate Finance, by Jonathan Berk and Peter DeMarzo, 4th edition, Pearson Series in Finance, 2017 (earlier editions are also acceptable). There is also a 4th edition just released (if used for another course this semester this edition is also acceptable)
- 2) Damodaran on Valuation, second edition. By Aswath Damodaran, Wiley Finance.

There is a **Required Case Course pack** available via Harvard Business Publishing that contains business cases and technical notes that will be used through the semester. The course pack can be purchased online at <https://cb.hbsp.harvard.edu>

Following are the cases and articles included in the course package:

Count	Cases	Item #
1	Nike, Inc.: Cost of Capital	UV0010
2	The Boeing 7E7	UV0281
3	The New Heritage Doll Company	4212
4	Hansson Private Label: Evaluating an Investment in Expansion	4021
5	GM's Capital Allocation Framework	218026
6	Winfield Refuse Management, Inc.	913530
7	Hill Country Snack Foods Co.	913517
8	LinkedIn Corporation	112006
9	JetBlue Airways IPO Valuation	UV2512
10	Jaguar Land Rover PLC Bond Valuation	W15332
11	Mercury Athletic: Valuing the Opportunity	4050
12	Valuation of Air Thread Connections	4263
13	M&A in Wine Country (simulation, V2)	4805-HTM-ENG
14	Supply Chain Finance at Procter & Gamble	216039

Count	Articles / Background or Technical Note	Item #
1	Note: Theory of Optimal Capital Structure	9279069
2	Note: Capital Structure Theory – A Current Perspective	UV0105
3	Note: Capital Structure and Value	UV3929
4	HBR Article: What's It Worth?: A General Manager's guide to Valuation	97305
5	HBS Background Note: Valuation Methods and Discount Rate Issues	205116
6	HBS Background Note: Evaluating M&A Deals – Equity Consideration	208077
7	HBS Background Note: Evaluating M&A Deals – Intro to deal NPV	208060
8	HBS Background Note: Evaluating M&A Deals – Accretion vs dilution of EPS	208059



All students are required to purchase the package using the unique link below:

<https://hbsp.harvard.edu/import/687632>

Students have the option to purchase electronic files or printed copies. Whichever option they chose, **the cost to the student is \$104.25**. Most cases come with supplemental spreadsheets, which are offered at no extra cost. Other, newer cases will offer an alternative audio version for additional \$1/case. Students are not required to purchase them, as these are optional.

Why Case Studies?

We use the case method to enhance your understanding of course material. Cases present real-world, complex problems faced by financial managers and general managers that require analysis and judgment to reach important business decisions. Cases are used extensively in most graduate business courses.

The use of case studies is a very effective learning method because it emphasizes student self-learning rather than a passive absorption of knowledge. Students learn to develop their critical thinking and use their judgment to make decisions. Case studies do not always lead to a right or one course of action for the decision maker. Rather, decisions are justified based on sound financial assumptions and through analysis of the situation at hand. Therefore, the analysis and discussion of cases is very useful because it teaches the students how to use the principles of finance to define and analyze problems, and make recommendations for the best course of action.

Preparatory questions are included in the appendix of this syllabus for each case study. These questions are intended to help students dissect the case and prepare for class discussion. Preparatory questions may differ from homework assignment questions. Students are not required to write and submit any reports answering the preparatory questions. However, it is strongly recommended to use these questions as guide to prepare discussion notes to bring to class.

Preparing Case Studies

Most case studies in this class are short in content; some of them are referred to as “brief cases”. To properly prepare for a case study discussion, students must 1) read the case in its entirety, 2) take notes related important financial facts and make sure to review all financial statements or exhibits provided; 3) read the preparatory questions and 4) take notes with answers / summary related to the preparatory questions. **On average, a brief case requires at least four hours of preparation time. Students who aim for a maximum grade in class participation should follow these preparation guidelines.**

Students should take the perspective of an external agent or consultant, providing feedback or recommendations to the firm’s Treasurer, CFO, CEO or Board of Directors.

Lastly, a significant amount of analysis and excel work will be done during certain sessions. However, THIS IS NOT AN EXCEL CLASS. For example, we will not spent any time explaining how to apply formulas to use the financial data provided. We will however, use the data provided to structure the financial analysis. This is an advanced class, proficiency in excel is required.



Grading

Description	Points each	Total	Percentage
3 individual assignments	50	150	60%
Simulation Reflection	50	50	20%
Class participation	50	50	20%
		250	100%

Notice that 100% of this class's grade comes from individual components.

Homework 1 to 3

Each individual assignment gives students the opportunity to practice the concepts discussed while applying financial tools to real-live issues. Assignments are mainly quantitative, all based on case studies from the course package. Students must prepare to discuss findings and recommendations during class, and ready to support his/her assumptions.

Assignment guidelines are included in Appendix of this syllabus. Regardless of the section you are enrolled in, all assignments are due on the date specified in the class calendar by 10 AM, no exceptions. Any submission posted on the drop box after 10 AM is considered late and will be subject to a 25% grade discount.

Lastly, Assignment rubrics will be available after the homework due dates to give students a guide to their grade.

Class Participation

Students may accumulate up to 50 participation points. Points are awarded to each student based on their quality and depth of contribution during class discussion (at the instructor's discretion).

Guidelines:

- Maximum of four points per case, 50 points per semester
- Points are recorded by the instructor during class session
- Progress reports posted on Canvas at the end of every class module (three in total)

I understand not all students are used to participating during class and perhaps feel shy or uncomfortable doing so. At the same time, I insist on grading class participation as a way to expose students to the realities of corporate in the controlled environment of our classroom.

In addition, financial analysis and decision-making require voicing ideas, issues and recommendations, and discussing those during cross-functional meetings, and many times in the boardroom. I hope students see class participation as an opportunity to practice and acquire a very useful skill, and not as a threat.

I encourage those who have issues with this part of the class structure to come see me during office hours **at the beginning of the semester** so we can work together to ensure students take full advantage of class participation opportunities.

Lastly, to ensure dynamic and consistent class participation, I will cold-call.



Sitting Chart and Name Cards

For the purposes of facilitating the monitoring of participation, students should select a spot in the classroom they wish to keep for the remaining of the semester and sit on that spot during every session. The use of name cards is highly encouraged.

Attendance

The class will start promptly at the established time. If for any reason you are late, please make sure to enter the classroom avoiding disruption of class discussion.

Attendance is recorded for every session, however it is not graded. Students are not penalized for missing sessions but could benefit from having perfect attendance. At the instructor's discretion, attendance record will be considered for those students whose final grade is close to the next letter grade (rounding up benefit).

In addition, attendance is linked to participation scores. If a student has an attendance record of 70% or below, he or she cannot possibly have a perfect participation score. (You can't participate if you are not present). Please come see me if you have any questions or concerns regarding this topic (for example, if you have a series of job interviews that may be interfering with class attendance).

Fairness in Grading

We will do everything we can to grade fairly according to the quality of work produced in student assignments. If you carefully review your assignment and become convinced that a particular grade should be reviewed, you may submit a written justification for the reevaluation of the assignment with two copies of all supporting materials. Your appeal will not be successful unless you provide an extensive and well-crafted argument detailing the request. If your request is justified, and if we determine that the points at stake are large enough that it could lead to a letter grade change we will review your assignment at the end of the semester. No re-grading will occur before the end of the semester (besides obvious administrative errors).

Disability Policy

Students with disabilities or requiring special accommodations must notify the section leader of such needs at the beginning of the quarter. You should work directly with The Ohio State University Office of Disability Services (ODS). ODS is expert at working with individual students to provide the appropriate assistance. Should you require special instruction for the course, please provide a written request from the ODS.

Academic Integrity

Fisher Student Standards of Conduct

According to the Standards of Conduct of the Fisher College of Business, students are expected to:

- Represent themselves truthfully in all situations;
- Conduct themselves in a manner that does not seek to gain an unfair advantage over other members of the Fisher community;



- Demonstrate respect for all property that does not belong to them;
- Be personally accountable for one's own actions.

Students are expected to become acquainted with the Standards, to adhere to the letter and spirit of the Standards, and to take action when witnessing a breach of the Standards. In this course, a violation of these standards includes but is not necessarily limited to (it is your responsibility to seek clarification of any "gray" areas):

- Discussing, reviewing, or receiving notes/papers on any assignment or quiz with students who have taken the class previously (either in another section or in a prior year).
- Submitting papers that do not exclusively include individual or group work, respectively.
- Using any assignment in this course in fulfillment of an assignment in another course without prior written consent of both professors.

Use of Technology Policy

4219 is a heavily quantitative class and students are required to use technology in the classroom. During class session laptops and tablets are allowed for the exclusive purpose of note taking, use of case references and financial analysis.

Mobile phones must be kept silent and stowed away during class session. Students who for any reason must have access to their mobile device during class session are required to leave the classroom.



Summary Class Calendar

Module I – Capital Budgeting

	Date	Description	Readings & Assignments
Week 1	Monday, 1/6	Introductions, syllabus overview, expectations	Syllabus
	Wednesday, 1/8	Cost of Capital recap. Equity valuation.	Case 1: Nike (UV0010)
	Friday, 1/10		
Week 2	Monday, 1/13	Divisional cost of capital	Case 2: The Boeing 7E7 (UV0281)
	Wednesday, 1/15		
	Friday, 1/17		
Week 3	Monday, 1/20	Martin Luther King Day	No Class
	Wednesday, 1/22	Capital Budgeting – forecasting earnings – from revenues to Free Cash Flows, choosing between alternatives	Case 3: The New Heritage Doll Co. (4212)
	Friday, 1/24		
Week 4	Monday, 1/27	Capital budgeting – forecasting earnings – from revenues to Free Cash Flows, expansion opportunity	Case 4: Hansson Private Label – Evaluating an Investment in Expansion (4021)
	Wednesday, 1/29		
	Friday, 1/31		
Week 5	Monday, 2/3	Capital budgeting and corporate strategy	Case 5: GM's Capital Allocation Framework Homework 1 due Monday, 2/3 at 10 AM (Canvas drop box)
	Wednesday, 2/5		
	Friday, 2/7		



Summary Class Calendar (continues)

Module II – Capital Structure and the Financing Decision

	Date	Description	Readings & Assignments
Week 6	Monday, 2/10	Debt versus Equity financing application	Case 6: Winfield Refuse Management (913530)
	Wednesday, 2/12		
	Friday, 2/14		
Week 7	Monday. 2/17	Capital Structure – selection of optimal leverage ratio	Case 7: Hill Country Snacks Foods (913517)
	Wednesday, 2/19		
	Friday, 2/21		
Week 8	Monday. 2/24	Equity financing, IPO, new economy	Case 8: LinkedIn Corporation (112006)
	Wednesday, 2/26		
	Friday, 2/28		
Week 9	Monday. 3/2	Equity financing, IPO, old economy	Case 9: JetBlue (UV2512) Homework 2 due Monday, 3/2 at 10 AM via Canvas drop box.
	Wednesday, 3/4		
	Friday, 3/6		
Week 10	Monday 3/9 through Friday 3/13	Spring Break – no classes	
	Monday, 3/16	No class	
Week 11	Wednesday, 3/18	Valuation, corporate bond pricing	Case 10: Jaguar Land Rover PLC: Bond Valuation (W15333)
	Friday, 3/20		



Summary Class Calendar (continues)

Module III – Enterprise Valuation and M&A

	Date	Description	Readings & Assignments
Week 12	Monday, 3/23	Introduction to synergies valuation	Case 11: Mercury Athletic: Valuing the Opportunity (4050)
	Wednesday, 3/25		
	Friday, 3/27	M&A, leveraged buyout, Adjusted Present Value (APV) method	Case 12: Air Thread Connections (4263)
Week 13	Monday, 3/30		
	Wednesday, 4/1		
	Friday, 4/3	Introduction to M&A in Wine Country simulation. Rules of engagement.	Introduction to simulation
Week 14	Monday, 4/6	M&A simulation, deal pricing, negotiations	Item 13: M&A in Wine Country Simulation Reflections are due by Friday, 4/10 at 5 PM via Canvas drop box.
	Wednesday, 4/8		
	Friday, 4/10		
Week 15	Monday, 4/13	Simulation Results review	Case 14: Supply Chain Finance at Procter & Gamble (216039) Homework 3 due on Wednesday, 4/15 at 10 AM via Canvas drop box.
	Wednesday, 4/15	Final Case	
	Friday, 4/17		
Week 16	Monday, 4/20		Last day of class – participation self-assessment during class



END OF SYLLABUS

Changes to this syllabus are at the instructor discretion. All changes are communicated to students promptly as they are effective either via email or Canvas announcement. Students are responsible for proactively following up with Canvas **announcements** and encouraged to visit the class Canvas page at least once a day.