

Lecture/Classes

Monday/Wednesday 12:30-1:50pm in JKP 112

Office Hours

Monday/Wednesdays 3:00-4:00pm in ACC 301G

Introduction and Course Objective

This course is designed as a first course in finance for the students in the Marshall School of Business or for students in other programs desiring an introductory course in corporate finance. The course is integrative and cumulative throughout the term and operates at three levels:

- Textbook reading assignments for basic theory and analytical approaches, augmented with in-class and end-of-chapter problems and exercises providing practice in applying concepts and confirming comprehension;
- Four problem sets completed in groups applying theory and analysis to corporate issues;
- Reading assignments and discussions of current business articles and applied finance literature illustrating controversies and issues in corporate finance.

Learning Objectives

The goal of this course is to provide students taking finance electives with the necessary background to perform well in advanced courses in finance and to provide students an understanding of the finance approach to business issues and where the finance function fits into the operations of business corporations.

Required Materials

The following are required for GSBA 548 students:

- Text: Ross, Westerfield, and Jaffe, *Corporate Finance* (9th or 10th edition), McGraw-Hill-Irwin” (9th edition ISBN 978-0-07-338233-3 or 10th ISBN 978-0-07-803477-0);
- Financial calculator: Bring a calculator to class with you for in-class examples: the HP 12-C or TI-BA II Plus calculators are recommended and you are expected to know how to use your calculator to do the problems in homework and in class;
- Business newspaper: Bring a Wall Street Journal (WSJ) to each class; students may subscribe directly at “<http://WSJ.com/studentoffer>”. WSJ Bookstore packs can be placed alongside other course material and purchased with student financial aid disbursements. Please confirm the bookstore places the order thru Xanadu Publishing for 15-weeks (1-59399-455-9)

Course Materials and Notes:

- Three handouts available on Blackboard and to be reviewed as assigned before class sessions when discussed: (1) Financial Statement Analysis and Assumptions for Valuation; (2) Present Value Analysis and Formulas; (3) PVFIRM: Introduction and Overview;
- Additional Class Materials posted on Blackboard before each class, including: (1) “Class Objectives”; (2) PowerPoint presentations; and (3) special readings;
- Four “Problem Sets.” Students are responsible for obtaining and reviewing these materials from Blackboard before discussions of relevant topics in class..

End-of-Chapter Type Problems and Spreadsheet Exercises

Working problems is among the most important learning experiences in GSBA 548. Problems will be the basis of classroom discussion and similar problems will form an important part of the midterm and final examinations. Students should be familiar with the problems before class discussions of the relevant material. Responses to cold calling students on end-of-chapter problems will form part of the “Class Participation” grade.

Four graded problem and exercise sets will be handed in for grading and credit. Students may work in groups and but each group must hand in the problem set by the due date in the table below with a cover sheet signed by each member of the group using the “Problem Set Cover Sheet” posted on Blackboard in order for individual group members to receive credit.

Problems and Spreadsheet Exercise Due Dates and Topical Coverage

| | | |
|-----------------------|-----------|---|
| Problem Set #1 | Due 9/10 | Chapters 1 to 3; Corporate Disclosures and Analysis |
| Problem Set #2 | Due 10/8 | Chapters 4 to 7; Present Value and Stocks and Bonds |
| Problem Set #3 | Due 11/12 | Chapters 8 to 12; Projecting Cash Flows, Investments |
| Problem Set #4 | Due 12/3 | Chapters 13 to 18; Cost of Capital, Capital Structure |

Assignments And Grading Detail

Requirements consist of timely reading and comprehension of text and other readings and handouts, preparation of problems and group problems sets as the basis for understanding and classroom participation and as source of examination questions, a mid-term examination and a final examination. Problems within groups should be taken up with the instructor as soon as they become evident and peer group evaluations will be required of each group member at the end of the semester as part of the grade. The course is cumulative and integrative throughout the semester. Course grades will be assigned as follows:

| | |
|---|-----------|
| Class participation* | 10% |
| Four homework sets (see schedule above for due dates) | 20 |
| Midterm examination | 25 |
| <u>Final examination</u> | <u>45</u> |

*Based on answers to questions in class, attendance (two absences permitted), performance on unannounced quizzes measuring preparedness, participation in group meetings as measured by a “Peer Evaluation” completed at the end of the semester, and contributions to class discussion.

Grading Summary:

Final grades represent how you perform in the class relative to other students. Your grade will not be based on a mandated target, but on your performance. Historically, the average grade for this class is about a (B+). Three items are considered when assigning final grades:

- Your average weighted score as a percentage of the available points for all assignments (the points you receive divided by the number of points possible).
- The overall average percentage score within the class.
- Your ranking among all students in the class.

Syllabus Changes

It may be necessary to make minor revisions in this syllabus. Any changes in it will be announced in class and revisions posted on Blackboard.

MARSHALL GUIDELINES

Add/Drop Process

In compliance with USC and Marshall's policies classes are open enrollment (R-clearance) through the first week of class. All classes are closed (switched to D-clearance) at the end of the first week. This policy minimizes the complexity of the registration process for students by standardizing across classes. I can drop you from my class if you don't attend the first two sessions. Please note: If you decide to drop, or if you choose not to attend the first two session and are dropped, you risk being not being able to add to another section this semester, since they might reach capacity. These policies maintain professionalism and ensure a system that is fair to all students.

Marshall Grading Guidelines

Course Grading Policy: Marshall's target mean GPA is 3.3 for required finance classes and 3.5 for electives. The mean target for graduate classes is 3.4. Assignment/Exam Grading Policy: the instructor determines what qualifies as an accurate grade on an assignment, exam, or other deliverable, and the instructor's evaluation of the performance of each individual student is the final basis for assigning grades for the course.

Final exams and all other graded work which affected the course grade will be retained for six months after the end of the course *if* the graded work has not been returned to the student; i.e., if I returned a graded paper to you, it is your responsibility to file it, not mine.

Technology Policy

Laptop and Internet usage is not permitted during academic or professional sessions unless otherwise stated by the respective professor and/or staff. Use of other personal communication devices, such as cell phones, is considered unprofessional and is not permitted during academic or professional sessions. ANY e-devices (cell phones, PDAs, I-Phones, Blackberries, other texting devices, laptops, I-pods) must be completely turned off during class time. Upon request, you must comply and put your device on the table in off mode and FACE DOWN. You might also be asked to deposit your devices in a designated area in the classroom. Videotaping faculty lectures is not permitted, due to copyright infringement regulations. Audiotaping may be permitted if approved by the professor. Use of any recorded material is reserved exclusively for USC Marshall students.

Statement for Students with Disabilities

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to TA) as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776.

Statement on Academic Integrity

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. All students are expected to understand and abide by these principles. SCampus, the Student Guidebook, contains the Student Conduct Code in Section 11.00, while the recommended sanctions are located in Appendix A. <http://www.usc.edu/dept/publications/SCAMPUS/gov/>

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/> Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

Emergency Preparedness/Course Continuity

In case of emergency, and travel to campus is difficult, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies. Instructors should be prepared to assign students a "Plan B" project that can be completed at a distance. For additional information about maintaining your classes in an emergency please access:

<http://cst.usc.edu/services/emergencyprep.html>

Please activate your course in Blackboard with access to the course syllabus. Whether or not you use Blackboard regularly, these preparations will be crucial in an emergency. USC's Blackboard learning management system and support information is available at blackboard.usc.edu.

In incomplete (IN) grade may be assigned due to an "emergency" that occurs after the 7th week of classes. An "emergency" is defined as a serious documented illness, or an unforeseen situation that is beyond the student's control, that prevents a student from completing the semester. Prior to the 12th week, the student still has the option of dropping the class. Arrangements for completing an IN course should be initiated by the student, and negotiated with the instructor. Class work to complete the course should be completed within one calendar year from the date the IN was assigned. The IN mark will be converted to an F grade should the course not be completed.

Assignment Submission Policy

Assignments must be turned in on the due date/time in class. Any assignment turned in late, even if by only a few minutes, will receive a grade deduction (for example, if your work is a B+ grade, you will be given a C+ grade). Late or not, however, you must complete all required assignments to pass this course.

Evaluation of Your Work

I will do my best to make my expectations for the various assignments and examinations clear and to evaluate them as fairly and objectively as I can. If you feel that an error has occurred in the grading of any assignment or examination, you may, within one week of the date the assignment is returned to you, write me a memo in which you request that I re-evaluate the assignment. Attach the original assignment to the memo, and explain fully and carefully why you think the assignment should be re-graded. Be aware that the re-evaluation process can result in three types of grade adjustments: positive, none, or negative.

Information For Faculty Members Re Grade Changes

All grades assigned by faculty members are final. Students have the right to seek explanation, guidance, counsel and reasons for the assignment of a grade. Students may appeal a grade according to university policy as set forth in SCampus. Faculty may initiate a change in grade if there is an error in the calculation of a grade. However, a faculty member may not change a disputed grade outside the formal appeals process. In response to a disputed academic evaluation by an instructor, a student is entitled to two levels of appeal after review by the instructor: first to the chairperson of the department and then to the appropriate dean of the school. The full university policy can be found on page 125 of SCampus and at:

http://www.usc.edu/dept/publications/SCAMPUS/gov/disputed_academic_evaluation_procedures.html

CLASS OUTLINE/ASSIGNED READINGS/ASSIGNMENT DUE DATES

| Date | Topic(s) | Text and other Reading(s) |
|----------------|---|---|
| Week 1 | | |
| Aug 25-27 | Course overview; introduction to financial management; financial statements; public company disclosures; corporate taxes | Chapters 1 and 2 |
| Week 2 | | |
| Sept 1 | Labor Day Holiday – No Class | |
| Sept 3 | Ratio and Du Pont analysis of financial statements; statement analysis and projections and assumptions; financial models and return on equity | Chapter 3 Handout (1) |
| Week 3 | | |
| Sept 8-10 | Discounted cash flow valuation | Chapter 4; Problem Set #1 due |
| Week 4 | | |
| Sept 15-17 | Compounding; annuities and perpetuities; computing and interpreting present values | Chapter 4 Handout (2) |
| Week 5 | | |
| Sept 22-24 | Net present value and other investment rules | Chapter 5 |
| Week 6 | | |
| Sep 29- Oct 1 | Capital investment decisions | Chapter 6 |
| Week 7 | | |
| Oct 6-8 | Risk analysis; break-even analysis; decision trees; review for midterm exam | Chapter 7; Problem Set #2 due |
| Week 8 | | |
| Oct 13 | MIDTERM EXAM | |
| Oct 15 | Interest Rates and Bond Valuations | Chapter 8 |
| Week 9 | | |
| Oct 20-22 | Common Stock Valuation | Chapters 9 Handout (3) |
| Week 10 | | |
| Oct 27-29 | Risks and financial markets and instruments | Chapter 10 |
| Week 11 | | |
| Nov 3-5 | Capital asset pricing model (CAPM) and betas | Chapters 11 and 12 |
| Week 12 | | |
| Nov 10-12 | Estimation of weighted average cost of capital (WACC); efficient capital markets | Chapters 13 and 14; Problem Set #3 due |
| Week 13 | | |
| Nov 17-19 | Long-term financing and capital structure | Chapters 15 |
| Week 14 | | |
| Nov 24 | Issues in capital structure | Chapter 16 |
| Nov 26 | Thanksgiving Holiday -- No Class | |
| Week 15 | | |
| Dec 1-3 | Financial distress; dividends; review for final exam | Chapters 17 and 19; Problem Set #4 due |
| Dec 12 | FINAL EXAM (11:00 am – 1:00 pm) | |