

**UNIVERSITY OF SOUTHERN CALIFORNIA
MARSHALL SCHOOL OF BUSINESS**

CORPORATE FINANCIAL STRATEGY (FBE 432)

SYLLABUS, SPRING 2011

Prof. Oguzhan Ozbas

Course objective: The objective of this course is for you to learn the financial tools needed to make good business decisions. The emphasis will be on linking finance to other aspects of corporate strategy.

Teaching methods: The course will build on corporate finance theory with applications to real business decisions. Each session will involve class discussion. In some instances, discussion will be centered on lectures; in others, it will be centered on a business case. As opportunities arise, we will discuss current events in the world of corporate finance. Your participation is critical to the success of the course. You are expected to study all cases and readings, come to class, and participate in class discussion.

Prerequisites: Business Finance (BUAD 306). Some background in financial statement analysis can be useful.

Course packet: There is a course packet that contains the case studies, the corresponding study questions, and some readings for the course at the USC Bookstore.

Lecture Notes: Lecture notes and all other additional course material will be posted on Blackboard, which can be accessed at <http://blackboard.usc.edu>. You will need to download them before each class.

Readings/Books:

- Higgins, *Analysis for Financial Management*, 8th ed., Irwin, McGraw-Hill (required)
- Ross, Westerfield and Jordan, *Fundamentals of Corporate Finance*, 8th ed., Irwin, McGraw-Hill (from BUAD 306)

Requirements/Grading:

- Class Participation: 20 %
- Case Write-ups: 40 %
- Final: 40 % (open-book)

Case Write-ups: You should form groups of 3-4 students, and hand-in a single write-up per team. Except for two cases of your choice, teams are required to hand in all write-ups. If more write-ups are handed in, only the best ones will count.

Your write-ups, which summarize your analysis and recommendations, must not exceed two pages of reasonably sized text (at least 11 points, and preferably double-spaced). Supporting appendices should be concise and clear.

Office Hours: Open office hours will be Wednesdays at 4pm in HOH 514, and additional office hours will be announced preceding the final exam. In addition, I am generally available at other times, and am always happy to discuss any issues with you either after class or in my office. I will also attempt to answer questions via e-mail on a timely basis.

Contact Information: email ozbas@usc.edu – office (213) 740-0781

Institute Policy regarding Academic Integrity: The use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work is unacceptable to the University. It is often difficult to distinguish between a culpable act and inadvertent behavior resulting from the nervous tensions accompanying examinations. Where a clear violation occurs, however, the instructor may disqualify the student's work as unacceptable and assign a failing mark on the paper.

Institute Policy regarding 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 that the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30am-5:00pm, Tuesday through Friday. The telephone number for DSP is (213) 740-0774.

SCHEDULE

Part I: Financing

Objective: The aim of this part of the course is to develop a framework to think about how firms finance their operations and how this interacts with overall corporate strategy.

Session #1 – Monday, January 10

Introduction

- For background, you may want to read:
 - Higgins, chapter 1: “Interpreting Financial Statements”
 - Higgins, chapter 2: “Evaluating Financial Performance”

Session #2 – Wednesday, January 12

Case Study: Butler Lumber Company (Session I)

- Reading: Higgins, chapter 3: “Financial Forecasting”

Monday, January 17 – Martin Luther King Day, university holiday, no class

Session #3 – Wednesday, January 19

Case Study: Butler Lumber Company (Session II)

- Reading: Higgins, chapter 4: “Managing Growth”

Session #4 – Monday, January 24

Lecture: Capital Structure

Session #5 – Wednesday, January 26

Lecture: Capital Structure (continued)

Session #6 – Monday, January 31

Case Study: UST Inc.

Session #7 – Wednesday, February 2

Case Study: UAL, 2004: Pulling Out of Bankruptcy

Session #8 – Monday, February 7

Lecture: Capital Structure: Informational and Dynamic Considerations

Session #9 – Wednesday, February 9

Case Study: MCI Communications Corp., 1983

Session #10 – Monday, February 14

Lecture: Dividend Policy

Session #11 – Wednesday, February 16

Case Study: Intel Corporation, 1992

Monday, February 21 – Presidents’ Day, university holiday, no class

Session #12 – Wednesday, February 23

Lecture: Risk Management

- Reading: Froot, Scharfstein and Stein, “A Framework for Risk Management,” *Harvard Business Review*, 1994

Session #13 – Monday, February 28

Case Study: American Barrick Resources Corporation

PART II: Valuation and Investment

Objective: The aim of this part of the course is to develop tools to evaluate real investment opportunities, such as building a new plant or acquiring another company.

Session #14 – Wednesday, March 2

Lecture: Free Cash Flows

Session #15 – Monday, March 7

Case Study: Sky Television versus British Satellite Broadcasting

Session #16 – Wednesday, March 9

Lecture: WACC

Monday, March 14 – Spring recess, no class

Wednesday, March 16 – Spring recess, no class

Session #17 – Monday, March 21

Lecture: APV

- Reading: Luehrman, “Using APV: A Better Tool for Valuing Operations,” *Harvard Business Review*, 1997

Session #18 – Wednesday, March 23

Case Study: Dixon Corporation: The Collinsville Plant (Session I)

Session #19 – Monday, March 28

Case Study: Dixon Corporation: The Collinsville Plant (Session II)

Session #20 – Wednesday, March 30

Lecture: Real Options

- Reading: Luehrman, “Investment Opportunities as Real Options,” *Harvard Business Review*, 1998

Session #21 – Monday, April 4
Case Study: MW Petroleum Corporation (A)

Session #22 – Wednesday, April 6
Lecture: Valuing a Company

Session #23 – Monday, April 11
Case Study: The Southland Corporation (A)

Session #24 – Wednesday, April 13
Lecture: Financing and Valuation of Start-ups

Session #25 – Monday, April 18
Case Study: Case Study: ZEFER

Session #26 – Wednesday, April 20
Lecture: Mergers and Acquisitions

Session #27 – Monday, April 25
Case Study: Radio One, Inc.

Session #28 – Wednesday, April 27
Sample Final Exam

FINAL EXAM: University scheduled day and time

MW 10:00-11:50am – Monday, May 9, 8:00-10:00am

MW 12:00-1:50pm – Friday, May 6 , 11:00am-1:00pm
