

Course Description

This is a course about developing and applying the fundamental ideas and tools of corporate finance to real-world corporate decisions. We will develop and extend standard tools and techniques of financial analysis, valuation, and financial modeling, and apply these methods to a wide range of cases. These topics will include start-ups, working capital, capital budgeting, mergers and acquisitions, leveraged buyouts, international valuation, financial distress, corporate governance and agency conflicts, security issuance, and capital structure. For all of these applications, the course will emphasize the central importance of financial analysis, valuation and modeling to guiding optimal decision making.

Learning Objectives

Upon successful completion of the course, students will be able to:

1. Apply the framework and concepts from corporate finance to real world decisions.
2. Understand the centrality of valuation as an organizing principle around which decision-making revolves.
3. Categorize, select, and analyze relevant information to solve a problem.
4. Critically evaluate assumptions and their impact on the outcome of the decision process.
5. Develop new concepts of corporate finance, including cash and working capital management, asymmetric information and agency problems, capital budgeting and real options.
6. Expand knowledge of valuation and capital structure concepts from prior finance courses.
7. Describe institutional details of security issuance and repurchase, private equity and leveraged buyouts, and bankruptcy procedures.
8. Build spreadsheet modeling skills to develop detailed financial models to guide strategic decision-making.
9. Build effective collaborative skills to solve problems in a team setting.

Required Materials

1. HBS case pack (purchase online: <https://hbsp.harvard.edu/import/677228>)
2. Access to a computer (preferably laptop) with Microsoft Excel or an equivalent spreadsheet program.
3. Textbook (optional):
Corporate Finance, 10th ed., by Ross, Westerfield, and Jaffe
OR
Fundamentals of Corporate Finance, 11th ed., by Ross, Westerfield, and Jordan
Though not strictly required, it is recommended to have one of these books for reference and optional practice questions.

Prerequisites and/or Recommended Preparation

BUAD 215 (Foundations of Business Finance) or BUAD 306 (Business Finance).

Prior exposure to accounting and/or financial statement analysis will prove very useful.

Case-based Learning

This course is case-based, with case preparations and discussions central to most class sessions. It is important to realize that the mode of learning in a case-based course is different from a lecture-style course. Cases are not textbook word problems, and in most situations the world does not quite match the idealized textbook setting, and there is no clear right/wrong answer. This ambiguity comes at the benefit of simulating a situation that is much closer to what you will face in the real world. What really matters is the process of using critical analytical thinking to work your way from assumptions to decision in a rational way, using the framework and concepts of corporate finance.

Mastering these skills is a learning-by-doing experience, and the more you put into the course, the more you will get out. Therefore, preparation and participation are key. You will be expected to develop detailed model-based analyses for the cases in advance of class, using the tools and techniques we develop in this course, and to employ their analyses to reach and defend specific recommendations for these cases. Case preparation will be supplemented by readings and several lectures that motivate and develop the techniques that you will be using.

Students' Responsibilities

The course is intensive and will require you to carefully prepare all cases, read supplemental materials, and participate actively in classroom discussions. Constructive class participation constitutes a significant portion of the grade, and students will be frequently (cold) called upon to illuminate their view on the topic, both in terms of theoretical underpinnings and applications. Readings are important to understand applications and follow the lectures and class discussions.

Study Groups

You are strongly encouraged to work with a study group on case preparation and class assignments. I leave it to you to form your own study groups. However, groups must be fixed and have no more than three members. Study groups may span different sections of this class, with the one requirement that any group turn-in exercises are turned in at the beginning of the first class. For more details on group assignments, see the assignment submission policy section below.

Attendance Policy

As this course builds on prior sessions and is case oriented, regular class attendance is essential. If you are not prepared for a given day, you should still attend. More than two absences during the quarter will have an adverse effect on your grade, even if excused. If you show up late for class, it will be counted towards your two absences unless you inform me in advance.

Class presence will be recorded by means of a sign-in sheet that will be passed around during class time. It is your responsibility to make sure you sign in when present. If you were in class but did not sign the sheet, then that class will be counted as an absence.

ASSIGNMENTS AND GRADING DETAIL

<u>Assignments</u>	<u>% of Grade</u>
10 GROUP TURN-IN ASSIGNMENTS @ 4% EACH	40%
CLASS PARTICIPATION	20%
MIDTERM EXAM (open book)	15%
FINAL EXAM (open book)	25%
TOTAL	100%

Participation grades are determined by the instructor based on in-class contributions to the advancement of case discussions and, in the case of lectures, the understanding of the concepts being taught. Listening to other students' insights and providing constructive feedback or follow-on comments is also valued. Clarifying questions can be considered a form of participation. Contributions are weighed by their quality. One keen insight is far more valuable than five distracting comments.

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. Three items are considered when assigning final grades:

1. 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).
2. The overall average percentage score within the class.
3. Your ranking among all students in the class.

Group Turn-in Assignment Submission Policy:

There are a total of 14 cases for which solutions can be turned in. You are only required to hand in solutions for 10 cases. If you hand in more than 10 solutions, your lowest scores will be dropped, and only your 10 highest grades will be counted.

The turn-in work for the case assignments should be done by your study group. Groups are to be three students or fewer. One copy of the report from each group should be submitted on Blackboard (unless announced otherwise) at the start of class on the day the assignment is due. The course calendar below states for which class sessions turn-ins are due. Late submissions will receive a grade deduction. If your group spans multiple sections, then you should turn in the assignment at the time of the earliest section. The names of group members should be stated clearly on the first page.

Brief conversations across study groups on general principles are allowed; detailed discussions of calculations are not. If there is any question about where the line is drawn between these two, you should consult with me. You are not allowed under any circumstances to consult handouts on the same case distributed by me or other faculty from previous years or from other classes.

The assignments are graded check +/- . A check-minus will receive 1.3%, a check will be awarded 2.7% and a check-plus earns 4% of the final grade. Late submissions will receive a grade deduction (for example, if your work is a check-plus grade, you will be given a check grade).

ADDITIONAL INFORMATION

Add/Drop Process

Most Marshall classes are open enrollment (R-clearance) through the Add deadline. If there is an open seat, students can add the class using Web Registration. If the class is full, students will need to continue checking the *Schedule of Classes* (classes.usc.edu) to see if a space becomes available.

The last day to add the class or withdraw without receiving a "W" is Friday January 26, 2017. The last day to drop with a mark of a "W" is Friday April 6, 2017. See also <http://classes.usc.edu/> for class times and add/drop dates.

NOTE: If you are absent two or more times before January 26, 2017, I may ask you to withdraw from the class by that date. These policies maintain professionalism and ensure a system that is fair to all students.

Retention of Graded Coursework

Final exams and all other graded work that affected the course grade will be retained for one year 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

We will use laptops in certain (parts of) class sessions to facilitate learning. Laptop use is only permitted at these times, and strictly for the announced purpose (generally, this will be spreadsheet modeling). At all other times, laptop and Internet usage is not permitted during class sessions.

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 (such as cell phones, PDAs, I-Phones, Blackberries, other texting devices, 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 is not permitted. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

USC Statements on Academic Conduct and Support Systems

Academic Conduct

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, “Behavior Violating University Standards” <https://policy.usc.edu/scampus-part-b/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

Support Systems

Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. <https://engemannshc.usc.edu/counseling/>

National Suicide Prevention Lifeline - 1-800-273-8255

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

Sexual Assault Resource Center

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086

Works with faculty, staff, visitors, applicants, and students around issues of protected class. <https://equity.usc.edu/>

Bias Assessment Response and Support

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. <https://studentaffairs.usc.edu/bias-assessment-response-support/>

Student Support & Advocacy – (213) 821-4710

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. <https://studentaffairs.usc.edu/ssa/>

Diversity at USC – <https://diversity.usc.edu/>

Tab for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students

Students with Disabilities

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs (www.usc.edu/disability). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. 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 your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: ability@usc.edu.

Emergency Preparedness/Course Continuity

In case of a declared emergency if travel to campus is not feasible, the USC Emergency Information web site (<http://emergency.usc.edu/>) will provide safety and other information, including electronic means by which instructors will conduct class using a combination of USC's Blackboard learning management system (blackboard.usc.edu), teleconferencing, and other technologies.

COURSE CALENDAR

#	Date	Day	Topic	Hand-in due?
<i>Module I: Financial Analysis</i>				
1	Jan 13	Mon	Introduction / Case: Unidentified Industries	N
2	Jan 15	Wed	Case: Financial Model for a Seed Round Pitch	N
-	Jan 20	Mon	No class (MLK Day)	-
3	Jan 22	Wed	Lecture: Financial analysis, cash budgeting	N
4	Jan 27	Mon	Case: Sunley	Y
5	Jan 29	Wed	Case: Sunley (continued)	Y
6	Feb 3	Mon	Lecture: Working capital management	N
7	Feb 5	Wed	Case: Raggedly Bear	Y
<i>Module II: Valuation</i>				
8	Feb 10	Mon	Lecture: Cost of capital	N
9	Feb 12	Wed	Case: Nike	Y
-	Feb 17	Mon	No class (President's Day)	-
10	Feb 19	Wed	Lecture: Valuation	N
11	Feb 24	Mon	Case: Kendle	Y
12	Feb 26	Wed	Case: Kendle (continued)	Y
13	Mar 2	Mon	Lecture: Capital budgeting	N
14	Mar 4	Wed	Case: Airbus	Y
15	Mar 9	Mon	Review session	N
16	Mar 11	Wed	MIDTERM EXAM!	N
-	Mar 16	Mon	No class (Spring break)	-
-	Mar 18	Wed	No class (Spring break)	-
17	Mar 23	Mon	Lecture: Real options	N
18	Mar 25	Wed	Case: Arundel	Y
<i>Module III: Financial Modeling</i>				
19	Mar 30	Mon	Lecture: Financial modeling	N
20	Apr 1	Wed	Case: MGM Mirage	N
21	Apr 6	Mon	Case: MGM Mirage (continued)	Y
<i>Module IV: Capital Structure</i>				
22	Apr 8	Wed	Case: UST	Y
23	Apr 13	Mon	Lecture: Capital structure	N
<i>Module V: Topics in Corporate Finance</i>				
24	Apr 15	Wed	Case: Iridium	Y
25	Apr 20	Mon	Case: AES	Y
26	Apr 22	Wed	Case: Palamon	Y
27	Apr 27	Mon	Case: RJR Nabisco	Y
28	Apr 29	Wed	Course wrap-up	N

FINAL EXAM

MW 8am class : Monday May 11, 11am-1pm.

MW 10am class : Monday May 11, 8-10am.