

# USC Marshall

School of Business

## **BUAD 306 – Business Finance**

Professor: Kristy Jansen (first half)  
Office: HOH 704  
Office Hours: Tue 4:00-6:00pm at office  
(or Zoom if needed)

Wenhao Li (second half)  
HOH 705  
Tue 4:00-6:00 pm at office  
(or Zoom if needed)

Email: [kjansen@marshall.usc.edu](mailto:kjansen@marshall.usc.edu)

[liwenhao@marshall.usc.edu](mailto:liwenhao@marshall.usc.edu)

Course Administrator:  
Email:

Marc Choueiti  
[buad306@marshall.usc.edu](mailto:buad306@marshall.usc.edu)

Teaching Assistant:

Deniz Abadan, Celine Lin, Milena van der Rei, Cade Sugiyama, Ruisha Yang

TA Hours:

Mondays, 5:00-7:00pm Milena  
Tuesdays, 3:00-5:00pm Ruisha  
Wednesday, 4:00-6:00pm Cade  
Thursdays, 1:00-3:00pm Deniz  
Fridays, 11.00-1.00pm Celine

### **Location and Meeting Times**

Section	Days	Times	Location
14786R	Tue, Thu	8:00-9:50am	HOH 1
14787R	Tue, Thu	10:00-11:50am	HOH 1
14788R	Tue, Thu	12:00-1:50pm	HOH 1
14791R	Tue, Thu	2:00-3:50pm	HOH 1

### **Course Description**

Effective financial decision-making is essential to the success of any business. Financiers, CFOs, treasurers, controllers, managers, or anyone involved in financial decision-making, must understand the concepts of finance and financial management in relation to economic developments and in a world of market uncertainties.

BUAD 306 provides an introduction to the modern theory and practice of corporate finance. The objective of the course is to gain an understanding of financial decisions that managers make in evaluating investment opportunities and how to finance those opportunities. In addition, we will explore how these decisions affect the value of the firm and how the firm interacts with the capital markets.

During the semester, you will learn how financiers think, what the role of the financial decision-maker is, and how financial management concerns the management of modern enterprise. More specifically, you will learn how financiers break down components of financial problems, and how they then arrive at investment decisions as individual or corporate investors.

By the end of the semester, you should be familiar with financial vocabulary, understand aspects of financial theory, develop skills in financial computation, and appreciate the underlying financial mindset as well as incentives involved when solving problems of finance.

### **Learning Objectives**

Through lecture, worked samples, and by learning to apply appropriate mathematical and financial formulas and functions, you will be able to:

1. Explain the meaning of time value of money and how to calculate and evaluate the trade-off between dollars today and dollars sometime in the future.
2. Perform discounted cash flow (DCF) and net present value (NPV) analysis in making financial decisions.
3. Value capital assets using the Capital Asset Pricing Model (CAPM), highlighting the central role of portfolio diversification and the beta coefficient.
4. Calculate the different criteria used to evaluate proposed investments (e.g., NPV and IRR).
5. Determine a company's financial risk and its cost of capital (WACC).
6. Recognize and explain the elements of optimal capital structure, the effects of financial leverage, bankruptcy, and the role of taxes.

These course level objectives align with selected Marshall Program Learning Goals.

### **Required Materials**

The required text is *Fundamentals of Corporate Finance*, 12th Edition by Ross, Westerfield and Jordan, McGraw-Hill Education, New York, NY, 2019. Use of an alternative edition is allowed, but not encouraged since sets of problems, examples, and explanations may be different across the editions.

### **Recommended preparation:**

Foundational courses in microeconomics, financial accounting, and business statistics. Duplicates Credit in BUAD 215x and BUAD 308.

### **Course Notes:**

Additional course materials are accessed via Blackboard (blackboard.usc.edu).

### **Grading Policies:**

The grade is a weighted total of four **non-cumulative** exams:

<b>Assignments</b>	<b>% of Grade</b>
Exam 1	25%
Exam 2	25%
Exam 3	25%
Exam 4	25%
<b>TOTAL:</b>	<b>100%</b>

Your final letter grade will not be based on a mandated target, but on your relative performance. Historically, the median grade for this class is about a B+.

### **Grading Details and Assignments**

1. **Exams.** All exams are closed book. We will provide a formula sheet for each exam. You may also use excel to perform calculations using a single completely empty excel spreadsheet. Use of any other resources will be considered academic integrity violation.  
All exams will use the Scantron multiple choice format. Students must provide their own pens or pencils. Students *must* take the exam in the lecture section in which they are registered.

**The first three exams are 75 minutes-timed exams held during regular class meeting times and in the regular class location. Therefore, there are no conflicts of exam times with any other course at USC. The fourth and final exam will be held during USC final exams week, scheduled by USC and listed in the syllabus below.**

**Exam Absence Policy:** Students are required to be present for all four exams. If you are not able to take the exams on the dates and times specified in the detailed schedule, you should not take this class.

There will be no make-up exams. However, there are legitimate reasons for missing an exam. If you provide documentation of serious medical problems or crime incidents for missing an exam, your grade will be based on the score of the remaining three exams. Your total score will then be determined by your relative performance with respect to other students in the remaining three exams. However, if you miss more than one exam, we will be unable to assign a complete grade to you. Additionally, based on the USC policy no student can omit the Final or take it in advance.

2. **Assignments.** There will be assignments posted to Blackboard during the course. **They will not be graded.** They are designed to provide practice material during the course. Answers to the homework will be posted online for students to evaluate their performance.
3. **Participation.** Attendance and active class participation is mandatory. While the attendance and participation will not be tracked or graded, both are necessary for successful understanding and completion of the course.

### **Technology Policy**

Personal computers and wireless Internet are a key part of today's technological culture, but they also can distract you from the class discussion and dampen participation. You may bring your laptops/iPads etc. to class for note-taking, but please refrain from browsing the internet, updating your Facebook profile, playing games, instant messaging, shopping, etc. Although you may think you are being discreet, 90% of the time students engaging in such behavior give themselves away (through inappropriate facial expressions, lack of eye contact, out of sync typing, etc.). Use of computers in the classroom is a privilege. If you abuse this privilege, laptops may be banned from the classroom.

### **COURSE CALENDAR**

*Set of recommended end of chapter problems will be posted on Blackboard.*

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**Part 1, taught by Prof. Kristy Jansen**

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<b>Dates</b>	<b>Week</b>	<b>Topics</b>	<b>Chapters</b>
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Aug 22 - Aug 26	1	<p><i>Tuesday - Course Intro; introduction to corporate finance</i></p> <p>What does a financial manager do? Forms of Business Organization, Goal of Financial Mgmt, Agency Problem, Principal-Agent Problem, Incentives</p>	1
		<p><i>Thursday - Time Value of Money</i></p> <p>Future Value and Compounding, investing for a single period, compound growth, lump sum versus payments, Present Value and discounting, present versus future value, determining the discount rate, single period present value, lump sum versus payments</p>	5
Aug 29 - Sep 2	2	<p><i>Tuesday - Discounted Cash Flow Valuation</i></p> <p>Future and Present Values of multiple cash flows, Valuation of Annuities, Perpetual Bonds, Future value of Annuities, Annuities Due</p>	6.1-6.2
		<p><i>Thursday - Discounted Cash Flow Valuation</i></p> <p>Effective Annual Rates, Calculating and comparing rates, EAR ver-sus APR, Continuous Compounding, Loan Types, Amortization, Pure Discount Loans, Interest Only loans, Amortized Loans</p>	6.3-6.5
Sep 5 - Sep 9	3	<p><i>Tuesday - Interest Rates and Bond Valuation</i></p> <p>Bonds and valuation of bonds, Bond Features, Interest Rate Risk, Default and Credit Risk, Re-investment rate risk, Bond Indenture, Debt or Equity?</p>	7.1-7.2
		<p><i>Thursday - Review Session</i></p>	
Sep 12 - Sep 16	4	<p><b><i>Tuesday - Test 1</i></b></p>	
		<p><i>Thursday - Interest Rates and Bond Valuation</i></p> <p>Bond Ratings, Moody's and Standard and Poor's, Investment Grade versus High Yield (Junk) Debt, Government vs Corporate Bonds, Real versus nominal rates, Fisher Effect, Term Structure of Interest Rates – Yield Curve</p>	7.3-7.7
Sep 19 - Sep 23	5	<p><i>Tuesday - Stock Valuation</i></p> <p>Zero Growth, Constant Growth Model, Shareholder Rights, Common Stock versus Preferred Stock, Cumulative versus non-cumulative, Dealers and Brokers, Valuation using Multiples</p>	8

		<i>Thursday - Net Present Value and Other Investment Criteria</i>	9
		NPV estimate, Payback Rule, Internal Rate of Return, Discounted Payback, Profitability Index, Capital Budgeting	
Sep 26 – Sep 30	6	<i>Tuesday - Net Present Value and Other Investment Criteria</i>	9
		IRR versus NPV, Mutually Exclusive Projects, Nonconventional cash flows, NPV profile, Acceptance and rejection rules for each capital budgeting criteria	
		<i>Thursday - Using Financial Statements to Evaluate Projects</i>	2.1-2.2,2.4, 10.1-10.2
		Balance Sheet, Income Statement, Operating Cash Flow, Incremental Cash Flows, Standalone Principle	
Oct 3 – Oct 7	7	<i>Tuesday - Making Capital Investment Decisions</i>	10.3-10.4, 10.6-10.7
		Depreciation, Pro Forma Statements, Side Effects, Sunk Costs, Opportunity Costs, Net Working Capital, Financing Costs	
		<i>Thursday - Review Session</i>	
Oct 10 – Oct 14	8	<b><i>Tuesday - Test 2 ( for weeks 4-7 only)</i></b>	
		<b><i>Thursday - NO CLASS- Fall Recess</i></b>	

**Part 2, taught by Prof. Wenhao Li**

<b>Dates</b>	<b>Week</b>	<b>Topics</b>	<b>Chapters</b>
Oct 17 – Oct 21	9	<i>Tuesday – Capital markets history; mean-variance framework</i>	12
		Returns thru time for different asset classes, Historical record, Risk premiums, variability of returns, average versus geometric, concept of capital market efficiency	
		<i>Thursday – Expected returns, variances, diversification; Capital Asset Pricing Model (CAPM), part 1</i>	13
		Expected Returns and variances, portfolio weights and expected returns, unexpected returns, systematic and unsystematic risk, diversification, beta and portfolio beta	

Oct 24 – Oct 28	10	<i>Tuesday – Capital Asset Pricing Model (CAPM), part 2</i> Systematic risk and beta, Portfolio beta, Security Market Line, Reward to risk ratio, Beta and the risk premium, Capital Asset Pricing Model (CAPM), Cost of Capital	13
		<i>Thursday – Cost of capital, Part 1</i> Cost of Capital, Cost of Equity, Cost of Debt, Cost of Preferred Stock, Weighted Average Cost of Capital	14.1-14.5
Oct 31 – Nov 4	11	<i>Tuesday – Cost of capital, Part 2</i> Weighted Average Cost of Capital, Divisional Cost of Capital, Project Cost of Capital; <i>Case study for Nike Inc</i>	14.1-14.5
		<i>Thursday – Raising Capital: Process and cost of issuing securities; Solving practice exercises for Weeks 9 to 11</i>	15.1-15.7 15.8-15.11
Nov 7 – Nov 11	12	<b><i>Tuesday (Nov 8) – Test 3 for Weeks 9 to 11 only</i></b>	
		<i>Thursday – Firm value, Part 1</i> Finding firm and equity value using discounted cash flow valuation	14.6-14.7
Nov 14 – Nov 18	13	<i>Tuesday – Firm value, Part 2, and a Case study</i> Finding firm and equity value using discounted cash flow valuation; valuation using multiples (comparables); case study	14.6-14.7; 8.1
		<i>Thursday – Capital structure, Part 1</i>	16 complete
Nov 21 – Nov 25	14	<i>Tuesday – Capital structure, Part 2; Bankruptcy and restructuring</i>	16 complete
		<b><i>Thursday – No class, Happy Thanksgiving!</i></b>	
Nov 28 – Dec 2	15	<i>Tuesday – Dividend policy</i>	17 complete
		<i>Thursday – Practice</i> Final preparation: Solving practice exercises for Weeks 12 to 15	
<b>FINAL exam:</b>	14786R	8.00am class December 13, 4.30pm	
	14787R	10.00am class December 13, 8.00am	
	14788R	12.00pm class December 13, 11.00am	
	14791R	14.00pm class December 8, 2.00pm	

Please note: The date/time of the Final Exam is determined by the University. The date and time of the final for this class were determined from the USC *Schedule of Classes* at [www.usc.edu/soc](http://www.usc.edu/soc). You can view the original posting by selecting the corresponding semester to view and click on the “Final Examinations Schedule” link on the left side of the screen. **Exam rooms will be known after they are scheduled by the University.**

## **ADDITIONAL INFORMATION**

### **Add Process**

Most Marshall classes are open enrollment (R-clearance) through the Add deadline. If there is an open seat, you can add the class using Web Registration. If the class is full, you will need to continue checking Web Registration or the *Schedule of Classes* ([classes.usc.edu](http://classes.usc.edu)) to see if a space becomes available. Students who do not attend the first two class sessions (for classes that meet twice per week) or the first class meeting (for classes that meet once per week) may be dropped from the course. There are no formal wait lists for Marshall undergraduate courses, and professors cannot add students or increase the course capacity. If all sections of the course are full, you can add your name to an interest list by contacting the Office of Undergraduate Advising & Student Affairs; if new seats or sections are added, students on the interest list will be notified.

### **Open Expression and Respect for All**

An important goal of the educational experience at USC Marshall is to be exposed to and discuss diverse, thought-provoking, and sometimes controversial ideas that challenge one’s beliefs. In this course we will support the values articulated in the USC Marshall “[Open Expression Statement](#).”

### **USC Statement 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” [policy.usc.edu/scampus-part-b](http://policy.usc.edu/scampus-part-b). Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on [Research and Scholarship Misconduct](#).

#### **Students and Disability Accommodations:**

USC welcomes students with disabilities into all of the University’s educational programs. The Office of Student Accessibility Services (OSAS) is responsible for the determination of appropriate accommodations for students who encounter disability-related barriers. Once a student has completed the OSAS process (registration, initial appointment, and submitted documentation) and accommodations are determined to be reasonable and appropriate, a Letter of Accommodation (LOA) will be available to generate for each course. The LOA must be given to each course instructor by the student and followed up with a discussion. This should be done as early in the semester as possible as accommodations are not retroactive. More information can be found at [osas.usc.edu](http://osas.usc.edu). You may contact OSAS at (213) 740-0776 or via email at [osasfrontdesk@usc.edu](mailto:osasfrontdesk@usc.edu).

#### **Support Systems:**

*Counseling and Mental Health - (213) 740-9355 – 24/7 on call*  
[studenthealth.usc.edu/counseling](http://studenthealth.usc.edu/counseling)

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

*National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call*  
[suicidepreventionlifeline.org](https://suicidepreventionlifeline.org)

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

*Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-9355(WELL), press “0” after hours – 24/7 on call*  
[studenthealth.usc.edu/sexual-assault](https://studenthealth.usc.edu/sexual-assault)

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

*Office for Equity, Equal Opportunity, and Title IX (EEO-TIX) - (213) 740-5086*  
[eetix.usc.edu](https://eetix.usc.edu)

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

*Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298*  
[usc-advocate.symplicity.com/care\\_report](https://usc-advocate.symplicity.com/care_report)

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office for Equity, Equal Opportunity, and Title for appropriate investigation, supportive measures, and response.

*The Office of Student Accessibility Services (OSAS) - (213) 740-0776*  
[osas.usc.edu](https://osas.usc.edu)

OSAS ensures equal access for students with disabilities through providing academic accommodations and auxiliary aids in accordance with federal laws and university policy.

*USC Campus Support and Intervention - (213) 821-4710*  
[campussupport.usc.edu](https://campussupport.usc.edu)

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

*Diversity, Equity and Inclusion - (213) 740-2101*  
[diversity.usc.edu](https://diversity.usc.edu)

Information on events, programs and training, the Provost’s Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

*USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call*  
[dps.usc.edu](https://dps.usc.edu), [emergency.usc.edu](https://emergency.usc.edu)

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

*USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call*  
[dps.usc.edu](https://dps.usc.edu)



Non-emergency assistance or information.

*Office of the Ombuds* - (213) 821-9556 (UPC) / (323-442-0382 (HSC)

[ombuds.usc.edu](http://ombuds.usc.edu)

A safe and confidential place to share your USC-related issues with a University Ombuds who will work with you to explore options or paths to manage your concern.

*Occupational Therapy Faculty Practice* - (323) 442-3340 or [otfp@med.usc.edu](mailto:otfp@med.usc.edu)

[chan.usc.edu/otfp](http://chan.usc.edu/otfp)

Confidential Lifestyle Redesign services for USC students to support health promoting habits and routines that enhance quality of life and academic performance.

## Appendix



### Undergraduate Program Learning Goals and Objectives (last update 12/21/17)

**Learning goal 1: Our graduates will demonstrate critical thinking skills *so as to become future-oriented problem solvers, innovators and decision makers in diverse and rapidly changing business environments.***

- Students will demonstrate the ability to anticipate, identify and solve business problems. They will be able to identify and assess central problems, identify and evaluate potential solutions, and translate a chosen solution to an implementation plan that considers future contingencies
- Students will demonstrate the ability to be accurate, clear, expansive (thorough, detailed) and fair-minded in their thinking
- Students will critically analyze concepts, theories and processes by stating them in their own words, understanding key components, identifying assumptions, indicating how they are similar to and different from others and translating them to the real world
- Students will be effective at gathering, storing, and using qualitative and quantitative data and at using analytical tools and frameworks to understand and solve business problems
- Students will understand the concepts of critical thinking, entrepreneurial thinking and creative thinking as drivers of innovative ideas

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**Learning Goal 2: Our graduates will develop people and leadership skills to promote their effectiveness as *business managers and leaders in the 21<sup>st</sup> century's evolving work and organizational structures.***

- Students will recognize, understand and analyze the roles, responsibilities and behaviors of effective managers and leaders in diverse business contexts e.g., functionally diverse, culturally diverse, geographically diverse, etc.
- Students will understand factors that contribute to effective teamwork including how to elicit, manage and leverage diverse perspectives and competencies.
- Students will recognize, understand, and analyze the motivations and behaviors of stakeholders inside and outside organizations (e.g., teams, departments, consumers, investors, auditors)

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**Learning Goal 3: Our graduates will be effective communicators *to facilitate information flow in organizational, social, and intercultural contexts.***

- Students will identify and assess diverse personal and organizational communication goals and audience information needs
- Students will demonstrate an ability to gather and disseminate information and communicate it clearly, logically, and persuasively in professional contexts
- Students will understand individual and group communications patterns and dynamics in organizations and other professional contexts

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**Learning goal 4: Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities *and aspire to add value to society.***

- Students will recognize ethical challenges in business situations and assess appropriate courses of action
- Students will understand professional codes of conduct

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**Learning goal 5: Our graduates will develop a global business perspective. They will understand how local, regional, and international markets, and economic, social and cultural issues impact business decisions *so as to anticipate new opportunities in any marketplace.***

- Students will understand that stakeholders, stakeholder interests, business environments (legal, regulatory, competitor) and business practices vary across regions of the world
- Students will understand how local, regional and global markets interact and are impacted by economic, social and cultural factors.

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**Learning goal 6: Our graduates will understand types of markets and key business areas and their interaction to effectively manage different types of enterprises.**

- Students will demonstrate foundational knowledge of core business disciplines, including business analytics and business economics
  - Students will understand the interrelationships between functional areas of business so as to develop a general perspective on business management
  - Students will apply theories, models, and frameworks to analyze relevant markets (e.g. product, capital, commodity, factor and labor markets)
  - Students will be able to use technologies (e.g., spreadsheets, databases, software) relevant to contemporary business practices
-