

USC Marshall School of Business

BUAD 306 Wednesday Sessions (14784R, 14785R, 14786R) Spring 2024

This course is co-taught by Prof. Wenhao Li and Prof. Ekaterina Neretina. Prof. Li teaches the first half of the course (weeks 1-8), and Prof. Neretina teaches the second half of the course (weeks 9-finals). The teaching assistants will be available during the entire semester. All our class sessions are organized in-person, and it will not be possible to join the class sessions remotely.

14784R, Monday and Wednesday 12:00-1:50pm PDT

14785R, Monday and Wednesday 2:00-3:50am PDT

14786R, Monday and Wednesday 4:00-5:50pm PDT

Professor: Wenhao Li

Office Hours: 3:00pm – 5:00pm, Tuesday

Email: liwenhao@marshall.usc.edu

Ekaterina Neretina

6:00pm – 8:00pm, Monday, via Zoom.

neretina@marshall.usc.edu

Prof. Neretina's office hours will be held until and including April 22.

Course Administrator

Marc Choueiti, buad306@marshall.usc.edu

TAs: Please see Blackboard

TA Office Hours: Via Zoom, please see Blackboard announcements.

TA Slack Channel: Details TBA, please see Blackboard announcements.

Course Description

BUAD 306 is a fundamentals course in business finance. Finance is a way of thinking about and analyzing economic problems that involve uncertainty over time. This course provides an introductory framework of how financiers think, how they break down components of a financial problem, and how they make decisions as investors and corporations in financial markets. By the end of the semester, you will know and use financial vocabulary, financial theory, and financial analysis to solve financial problems, value assets, assess financial risk, make financial decisions and evaluate corporate financial strategy.

Learning Objectives

Through lecture, case analysis, worked samples, and application of financial formulas and functions, you will be able to:

1. Describe types and features of common financial assets.
2. Summarize the efficient market hypothesis and describe its relevance.
3. Explain the concept and apply the formulas related to the time value of money.
4. Apply DCF valuation in a range of contexts.
5. Interpret, apply, and use accounting statements in financial analysis.
6. Explain and apply capital budgeting criteria.
7. Explain and apply a modern risk-return framework.
8. Calculate costs of capital.
9. Explain and analyze key corporate financial policies and tradeoffs.

Required Materials

The required textbook is *Fundamentals of Corporate Finance*, 12th Edition by Ross, Westerfield and Jordan, McGraw-Hill Education, New York, NY.

Prerequisites and/or Recommended Preparation:

Recommended preparation: foundational courses in microeconomics, financial accounting, and business statistics. Knowledge of basic excel functions is highly recommended.

Course Notes:

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

Grading Summary

The final grade is based on four **non-cumulative exams**, where each covers a quarter of the materials, as well homework assignments:

Item	% of Grade
Test 1	25%
Test 2	25%
Test 3	25%
Test 4 (final exam)	25%
TOTAL:	100%

Your grade will not be based on a mandated target but on your performance. The mean grade for this class is expected to be about a B+. Typically, about one third of the students will receive an A or A-. About one half of the students will receive a B+, B or B-. The remaining one sixth of the students will receive a C+ or lower.

Grading Details and Assignments

1. **Exams.** Details regarding the testing protocol and allowed materials will be provided.

Exam Absence Policy: Students are required to take all exams during the arranged administration period, with appropriate flexibility given for time zone accommodation and religious observance. If you are not able to take the exams on the dates specified in the schedule, you should not take this class.

There is no work for extra credit, and no make-up exams. If you miss an exam, your grade for that exam will be 0 (zero). However, there are legitimate reasons for missing an exam. If you provide documentation of serious medical problems or crime incidents for missing the exam *ahead of time*, your total test score will be computed as an equal-weighted of other remaining exams. **This policy applies to everyone taking the class, and it is non-negotiable.**

Under USC policy, all the students must attend the final exam to complete the course.

2. **Assignments.** There will be assignments posted to Blackboard during the course (not graded). Answers to the homework will be posted online for students to evaluate their own performance.
3. **Practice Problems:** Practice problems will not be graded. They are designed as part of the learning process and to provide practice material during the course. Answers to the problems will be posted online for students to evaluate their performance.

We reserve the right to adjust the topics below during the semester for the benefit of the students.

COURSE CALENDAR (also available on Blackboard)

Part 1, taught by Prof. Wenhao Li

Dates	Week	Topics	Chapters
Jan 8	1	<i>Monday - Course Intro; introduction to corporate finance</i> What does a financial manager do? Forms of Business Organization, Goal of Financial Mgmt, Agency Problem, Principal-Agent Problem, Incentives	1
Jan 10		<i>Wednesday - Time Value of Money</i> 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	5
Jan 15	2	<i>Monday - No class. Martin Luther King Day</i>	
Jan 17		<i>Wednesday - Discounted Cash Flow Valuation</i> Future and Present Values of multiple cash flows, Valuation of Annuities, Perpetual Bonds, Future value of Annuities, Annuities Due	6.1-6.2
Jan 22	3	<i>Monday - Discounted Cash Flow Valuation</i> Effective Annual Rates, Calculating and comparing rates, EAR versus APR, Continuous Compounding, Loan Types, Amortization, Pure Discount Loans, Interest Only loans, Amortized Loans	6.3–6.5
Jan 24		<i>Wednesday - Interest Rates and Bond Valuation</i> Bonds and valuation of bonds, Bond Features, Interest Rate Risk, Default and Credit Risk, Re-investment rate risk, Bond Indenture	7.1-7.2
Jan 29	4	<i>Monday - Review Session for Test 1</i>	
Jan 31		<i>Wednesday - Test 1 (for weeks 1-3 only)</i>	
Feb 5	5	<i>Monday - Interest Rates and Bond Valuation</i> 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	7.3-7.7
Feb 7		<i>Wednesday - Stock Valuation</i> Zero Growth, Constant Growth Model, Shareholder Rights, Common Stock versus Preferred Stock, Cumulative versus non-cumulative, Dealers and Brokers, Valuation using Multiples	8
Feb 12	6	<i>Monday - Net Present Value and Other Investment Criteria</i> NPV estimate, Payback Rule, Internal Rate of Return, Discounted Payback, Profitability Index, Capital Budgeting	9
Feb 14		<i>Wednesday - Net Present Value and Other Investment Criteria</i> IRR versus NPV, Mutually Exclusive Projects, Nonconventional cash flows, NPV profile, Acceptance and rejection rules for each capital budgeting criteria	9

Feb 19	7	<i>Monday – No class. President’s Day</i>	
Feb 21		<i>Wednesday - Using Financial Statements to Evaluate Projects</i> Balance Sheet, Income Statement, Operating Cash Flow, Incremental Cash Flows, Standalone Principle	2.1- 2.2,2.4, 10.1-10.2
Feb 26	8	<i>Monday – Review Session for Test 2</i>	
Feb 28		<i>Wednesday - Test 2 (for weeks 5-7 only)</i>	

Part 2, taught by Prof. Ekaterina Neretina

Dates	Week	Topics	Chapters
Mar 4	9	<i>Monday – Capital Markets History; Mean-Variance Framework</i> Returns through time for different asset classes, historical record, risk premiums, variability of returns, average versus geometric, concept of capital market efficiency.	12
Mar 6		<i>Wednesday – Expected Returns, Variances, Diversification, Capital Asset Pricing Model (CAPM), Part 1</i> Expected returns and variances, portfolio weights and expected returns, unexpected returns, systematic and unsystematic risk, diversification.	13
Mar 11 Mar 13	10	<i>No Class for the week. Spring Recess</i>	
Mar 18	11	<i>Monday – 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
Mar 20		<i>Wednesday – Cost of Capital, Part 1</i> Cost of capital, cost of equity, cost of debt, cost of preferred stock, weighted average cost of capital, case study for Nike Inc.	14.1-14.5
Mar 25	12	<i>Monday – Cost of Capital, Part 2</i> Weighted average cost of capital, divisional cost of capital, project cost of capital. Raising capital: process and cost of issuing securities.	14.1-14.5 15.1-15.7 15.8-15.11
Mar 27		<i>Wednesday – Review for Weeks 9 to 12</i>	
Apr 1	13	<i>Monday – Test 3 (for Weeks 9 to 12 only)</i>	
Apr 3		<i>Wednesday – Firm Value, Part 1</i> Finding firm and equity value using discounted cash flow valuation.	14.6-14.7

Apr 8	14	<i>Monday – Firm Value, Part 2</i> Finding firm and equity value using discounted cash flow valuation, finding firm and equity value using multiples (comparables).	14.6-14.7; 8.1
Apr 10		<i>Wednesday – Capital Structure, Part 1</i> Financial leverage and capital structure policy, capital structure question – debt or equity financing, effect of financial leverage on cost of equity, cost of debt, and cost of capital, M&M proposition I&II without corporate taxes.	16
Apr 15	15	<i>Monday – Capital Structure, Part 2</i> M&M proposition I&II with and without corporate taxes, bankruptcy liquidation versus reorganization.	16
Apr 17		<i>Wednesday – Dividend and Payout Policy</i> Cash dividends, stock dividends, low versus high payouts.	17
Apr 22	16	<i>Monday – Review for Weeks 13 to 15</i>	
FINAL	14786R, MW 12pm class: TBA		
exam:	14784R, MW 2pm class: TBA		
	14785R, MW 4pm class: TBA		

Please note: The date of the Final Exam is determined by the University. For the date of the final for this class, consult the USC *Schedule of Classes* at www.usc.edu/soc. Select the corresponding semester to view and click on the “Final Examinations Schedule” link on the left side of the screen.

ADDITIONAL INFORMATION

Teaching Assistants

The teaching assistants are listed on the Blackboard. The TAs will hold regular office hours and can answer questions on the material during office hours or via email.

Marshall Academic Resources

The Marshall Office of Undergraduate Advising & Student Affairs offers free Core Review Sessions, along with additional “Cracking the Core” workshops, as a supplement to classroom instruction. Marshall Peer Academic Leaders (PALs) assist students in understanding and clarifying difficult concepts covered in class that week, but core review sessions are effective only if students regularly attend class and actively engage in the process of thinking critically about the course content. Marshall Academic Resources are available for core courses that are traditionally challenging in the business major curriculum. For more information, please visit the Marshall Undergrad Advising and Student Affairs website <http://students.marshall.usc.edu/undergrad/advising/>.

Add/Drop Process

BUAD 306 is 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) 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. The instructors are not required to notify the student that s/he is being dropped.

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.

Technology Requirements

This class uses a range of technologies including in-person instruction.

The lecture presentations, links to articles, assignments, and rubrics are located on Blackboard. To participate in learning activities and complete assignments, you will need:

- Reliable Internet access and a USC email account;
- A current Internet browser that is compatible with Blackboard (Google Chrome is the recommended browser for Blackboard);
- Reliable data storage for your work, such as a USB drive or Office365 OneDrive or Google Drive cloud storage.

If your computer does not have Microsoft Word, Office 365 package is available to you free of charge and allows you to install Word, Excel, PowerPoint, Outlook, OneNote, Publisher, and Access on up to 5 PCs or Macs and Office apps on other mobile devices including tablets. Office 365 also includes unlimited cloud storage on OneDrive. To download Office 365 log into your student (University) email through a web browser, choose Settings (top right corner), and select software. If you have further questions or need help with the software, please contact the USC ITS service portal.

A financial calculator is not required but may be useful. Some popular models include: Texas Instruments BA II Plus, HP BII+, HP 12C, HP 17BII+. There are good financial calculator emulators available for smartphones.

Class Conduct/Netiquette

Professionalism will be expected at all times. Because the university classroom is a place designed for the free exchange of ideas, we must show respect for one another in all circumstances. We will show respect for one another by exhibiting patience and courtesy in our exchanges. Appropriate language and restraint from verbal attacks upon those whose perspectives differ from your own is a minimum requirement. Courtesy and kindness is the norm for those who participate in my class.

Our discussion board is a way for you to share your ideas and learning with your colleagues in this class. We do this as colleagues in learning, and the Discussion Board is meant to be a safe and respectful environment for us to conduct these discussions.

Some Netiquette Rules:

- Dress respectfully. Video conference business meetings are and will be the norm, so practice your professional telepresence.
- Disagree respectfully.
- Respectfully pay attention to classmates.
- Begin emails with a professional salutation (Examples: Dr. Name; Ms. Name; Hello Professor Name; Good afternoon; Mr. Name). Starting an email without a salutation or a simple "Hey" is not appropriate.
- When sending an email, please include a detailed subject line. Additionally, make sure you reference the course number (Ex. BUAD306) in the message and sign the mail with your name.
- Use proper grammar, spelling, punctuation, and capitalization. Text messaging language is not acceptable. You are practicing for your role as a business leader.
- Re-Read, think, and edit your message before you click "Send/Submit/Post." As a check, consider whether you would be comfortable with your email or post or text being widely distributed on the Internet.

Pursuant to the USC Student Handbook (<https://policy.usc.edu/studenthandbook/>, page 57), students may not record a university class without the express permission of the instructor and announcement to the class. In addition, students may not distribute or use notes or recordings based on USC classes or lectures without the express permission of the instructor for purposes other than personal or class-related group study by individuals registered for the class. This restriction on unauthorized use applies to all information that is distributed or displayed for use in relationship to the class. Violation of this policy may subject an individual or entity to university discipline and/or legal proceedings.

Statement on Academic Conduct and Support Systems

Academic Integrity:

The University of Southern California is a learning community committed to developing successful scholars and researchers dedicated to the pursuit of knowledge and the dissemination of ideas. Academic misconduct, which includes any act of dishonesty in the production or submission of academic work, compromises the integrity of the person who commits the act and can impugn the perceived integrity of the entire university community. It stands in opposition to the university's mission to research, educate, and contribute productively to our community and the world.

All students are expected to submit assignments that represent their own original work, and that have been prepared specifically for the course or section for which they have been submitted. You may not submit work written by others or "recycle" work prepared for other courses without obtaining written permission from the instructor(s).

Other violations of academic integrity include, but are not limited to, cheating, plagiarism, fabrication (e.g., falsifying data), collusion, knowingly assisting others in acts of academic dishonesty, and any act that gains or is intended to gain an unfair academic advantage.

The impact of academic dishonesty is far-reaching and is considered a serious offense against the university. All incidences of academic misconduct will be reported to the Office of Academic Integrity and could result in outcomes such as failure on the assignment, failure in the course, suspension, or even expulsion from the university.

For more information about academic integrity see [the student handbook](#) or the [Office of Academic Integrity's website](#), and university policies on [Research and Scholarship Misconduct](#).

Please ask your instructor if you are unsure what constitutes unauthorized assistance on an exam or assignment, or what information requires citation and/or attribution.

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](#). You may contact OSAS at (213) 740-0776 or via email at osasfrontdesk@usc.edu.

Support Systems:

[Counseling and Mental Health](#) - (213) 740-9355 – 24/7 on call

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

[988 Suicide and Crisis Lifeline](#) - 988 for both calls and text messages – 24/7 on call

The 988 Suicide and Crisis Lifeline (formerly known as the National Suicide Prevention Lifeline) provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week, across the United States. The Lifeline is comprised of a national network of over 200 local crisis centers, combining custom local care and resources with national standards and best practices. The new, shorter phone number makes it easier for people to remember and access mental health crisis services (though the previous 1 (800) 273-8255 number will continue to function indefinitely) and represents a continued commitment to those in crisis.

[Relationship and Sexual Violence Prevention Services \(RSVP\)](#) - (213) 740-9355(WELL) – 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender- and power-based harm (including sexual assault, intimate partner violence, and stalking).

[Office for Equity, Equal Opportunity, and Title IX \(EEO-TIX\)](#) - (213) 740-5086

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

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 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) 740-0411

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

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

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) 442-1200 – 24/7 on call

Non-emergency assistance or information.

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

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) 442-2850 or otfp@med.usc.edu

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