

# USC Marshall School of Business

## **BUAD 306 Tuesday-Thursday Sessions (14782, 14784, 14787, 14788) Spring 2025**

This course is co-taught by Prof. Wenhao Li and Prof. Quinn Maingi. Prof. Li teaches the first half of the course (weeks 1-8), and Prof. Maingi teaches the second half of the course (weeks 9-finals). The teaching assistants will be available during the entire semester.

**14782**, Tuesday and Thursday 8:00 AM–09:50 AM

**14784**, Tuesday and Thursday 10:00 AM–11:50 AM

**14787**, Tuesday and Thursday 2:00 PM – 3:50 PM

**14788**, Tuesday and Thursday 4:00 PM – 5:50 PM

**Professor:** Wenhao Li

**Office Hours:** 2:00pm – 4:00pm, Wednesday

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

Quinn Maingi

2:00pm – 4:00pm, Wednesday

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

### **Course Administrator**

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

### **TA Office Hours:**

- Mondays, 6-8pm with Aashna
- Tuesdays, 12-2pm with Mac
- Wednesdays, 6:30-8:30pm with Aditya
- Thursdays, 12-2pm with Chisom
- Fridays, 8-10am with Claire (on Zoom)
- Saturdays, 9-11am with Josh (on Zoom)

See Brightspace announcement for details.

### **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 introduces 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 decisionmaker 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 application of 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.

## **Required Materials**

The required textbook is *Fundamentals of Corporate Finance*, 13<sup>th</sup> Edition by Ross, Westerfield and Jordan, McGraw-Hill Education, New York, NY. 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. Knowledge of basic excel functions is highly recommended.

## **Course Notes:**

Additional course materials are accessed via Brightspace ([brightspace.usc.edu](http://brightspace.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:

<b>Item</b>	<b>% of Grade</b>
Test 1	25%
Test 2	25%
Test 3	25%
Test 4	25%
<b>TOTAL:</b>	<b>100%</b>

Your grade will not be based on a mandated target but on your performance. The median grade for this class is expected to be B+.

## **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. The fourth and final exam will be held during USC final exams week, scheduled by USC and listed in the syllabus below. You **MUST** take the final exam.

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.*

2. **Assignments.** There will be assignments posted to Brightspace during the course (not graded). Answers to the homework will be posted online for students to evaluate their own performance. They are designed as part of the learning process and to provide practice material during the course.
3. **Participation:** Attendance and active class participation is critical for the eventual performance in this course.

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

**COURSE CALENDAR (also available on Blackboard)**

<b>Part 1, taught by Prof. Wenhao Li</b>			
<b>Dates</b>	<b>Week</b>	<b>Topics</b>	<b>Chapters</b>
Jan 14	1	<i>Tuesday - 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 16		<i>Thursday - 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 21	2	<i>Tuesday - 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 23		<i>Thursday - 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 28	3	<i>Tuesday - 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 30		<i>Thursday - Review Session for Test 1</i>	
Feb 4	4	<b><i>Test 1 (for weeks 1-3 only)</i></b>	
Feb 6		Recap and discussions	
Feb 11	5	<i>Tuesday - Interest Rates and Bond Valuation</i>	7.3-7.7

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

Feb 13		<i>Thursday - 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 18	6	<i>Tuesday - Net Present Value and Other Investment Criteria</i> NPV estimate, Payback Rule, Internal Rate of Return, Discounted Payback, Profitability Index, Capital Budgeting	9
Feb 20		<i>Thursday - 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 25	7	<i>Tuesday - 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 27		<i>Thursday –Review Session for Test 2</i>	
Mar 4	8	<b><i>Test 2 (only for content after Test 1)</i></b>	
Mar 6		Recap and discussions	

**Part 2, taught by Prof. Quinn Maingi**

<b>Dates</b>	<b>Week</b>	<b>Topics</b>	<b>Chapters</b>
Mar 11	9	<i>Tuesday – 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 13		<i>Thursday – 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 18			
Mar 20	10	<b><i>No Class for the whole Week – Spring Recess</i></b>	
Mar 25	11	<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

Mar 27		<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, case study for Nike Inc.	14.1- 14.5
Apr 1	12	<i>Tuesday– 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- 15.11
Apr 3		<i>Thursday– Review for Weeks 9 to 12</i>	
Apr 8	13	<b><i>Tuesday– Test 3 (only for content after Test 2)</i></b>	
Apr 10		<i>Thursday– Recap and discussions</i>	
Apr 15	14	<i>Tuesday– Firm Value, Part 1</i> Finding firm and equity value using discounted cash flow valuation.	14.6- 14.7
Apr 17		<i>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 22	15	<i>Thursday– 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 24		<i>Tuesday– Capital Structure, Part 2</i> M&M proposition I&II with and without corporate taxes, bankruptcy liquidation versus reorganization.	16
Apr 29	16	<b><i>Tuesday– Dividend and Payout Policy</i></b> Cash dividends, stock dividends, low versus high payouts.	17
May 1		<i>Review for final exam- Test 4 (only for content after Test 3)</i>	

Exam 4 (final exam)	14782 8 am session:	May 14, 8:00 am
	14784 10 am session:	May 13, 8.00 am
	14787 2 pm session:	May 8, 2:00 pm
	14798 4 pm session:	May 13, 2:00 pm

## **ADDITIONAL INFORMATION**

### **Teaching Assistants**

The teaching assistants are listed on the Brightspace. 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](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. 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.

### **Use of AI Generators in this course**

In this course, we encourage you to use artificial intelligence (AI)-powered programs to help you with assignments that indicate the permitted use of AI. You should also be aware that AI text generation tools may present incorrect information, biased responses, and incomplete analyses; thus they are not yet prepared to produce text that meets the standards of this course. To adhere to our university values, you must cite any AI-generated material (e.g., text, images, etc.) included or referenced in your work and provide the prompts used to generate the content. Using an AI tool to generate content without proper attribution will be treated as plagiarism and reported to the Office of Academic Integrity. Please review the instructions in each assignment for more details on how and when to use AI Generators for your submissions.

### **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](mailto: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](mailto: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.