



Stetson School of Business and Economics

The Stetson School of Business and Economics (SSBE) promotes the advancement and integration of quality business education and practice. In support of Mercer University's mission, the School provides undergraduate and graduate programs that are designed to enable, enhance, and expand professional careers, civic responsibility and lifelong learning.

Summer Semester, 2010, Session I BAA 609.A13 CORPORATE FINANCE

Professor: Dr. Vijaya Subrahmanyam
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Office Location: Business Building 209
Blackboard Course

Office Hours:
Wed 4:15-6 p.m., T 10:30-2 pm
or by appointment
E-mail: subrahmany_v@mercer.edu

My most preferred means of communication is via e-mail

Course Description: The course focuses on the conceptual and practical problems associated with the financial management of non-financial firms. Topics include agency and governance issues, corporate social responsibility, valuation of the firm, capital budgeting risk, cost of capital, capital structure, dividend policy, and investment strategies.

Class Objectives:

The primary purpose of the course is to introduce students to the different areas of corporate finance and in particular those topics that are essential and indispensable to all business students.

Students completing this course should be able to:

Provide the theoretical and practical concepts of corporate finance needed by the financial manager of the firm. The treatment of all areas is based on ensuring that students have a conceptual understanding of the theory and the application of these concepts to realistic situations for the purpose of decision-making in the major areas of business.

Fortify corporate executives' knowledge and understanding of corporate investment, financial and payout policy.

Provide an environment where students learn from each other's real world experiences

Specifically, the course covers the following topics: financial statement analysis, financial forecasting, valuation, the trade-off between risk and return (including the CAPM), capital budgeting and cost of capital estimation, current issues in corporate finance including latest regulations, changing role of the board, corporate social responsibility and other emerging issues.

Prerequisites: BAA 510, with BAA 603 recommended.

COURSE MATERIALS:

REQUIRED:

- Text: Financial Management: Theory and Practice with Thomson ONE by Eugene F. Brigham (Author), Michael C. Ehrhardt (Author), 13 ed
- WSJ is mandatory for this course. I will bring the discount subscription form to the first class. You can go online and subscribe under my name for this class and also receive the discount.
- Financial Calculator. An HP10B or BAII Plus (Texas Instruments) will be sufficient. (No programmable calculators!).



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- Proficiency in the use of a spreadsheet is required. Excel Tutorial will be posted on Blackboard so as to get familiar with use of excel along with some spreadsheet assignments.

For general applications and knowledge, there is no substitute for the business press. Try to read at least one of the following:

- The Wall Street Journal (WSJ), The Financial Times (FT), The New York Times (NYT) - Business Section.
- The Economist (unmatched for its coverage of global finance, politics and economics).
- Fortune (for chatty in-depth stories of corporations and their deeds).
- Forbes (for an investors' view of corporations).
- Business Week (for a general overview of business and finance).
- Try to watch Wall Street Week on Sunday, which captures the events of the week

Class Assignments and Evaluation

Assignments: Questions and Problems from end-of-chapter are included in the course outline below. All lecture notes and end-of-chapter solutions will be available for students on Blackboard Following the chapter lecture, it is expected that students have attempted all assignments prior to the next class.

Cases/Excel exercises:

You will have specific excel exercises (see course outline) to complete. Additionally, we will be doing one case on that you may be asked to turn in as an assignment. **While I may or may not grade the excel spreadsheets, I may use it to determine any borderline grade situations.**

Discussion: Each of you will come prepared with current news. Besides, having current news always on quizzes, I will cold call you on news and I expect that you will be able to add some value to the class and the topic by discussing a current issue. Every person will get a turn in being questioned. **This will count for class participation.**

Quizzes: There will be a **quiz at the beginning of every class**, except for the 1st week, the 4th week (midterm) and the 8th week (finals). **No quiz grade will be dropped.** Quizzes will include at least one question or more from the WSJ.

Exams: **Mid-term (class 4) and final (class 8) exams will be in class.** Makeup exams must be pre-approved with documented excuses and taken during regular office hours. Makeup exams will be different from the in-class exams and may not be in the same format.

Project: The class will also be assigned one term project involving financial analysis for the establishment of a small business. Each **group** will be required to investigate and analyze the financial profitability of a new business enterprise (capital budgeting project) and apply risk analysis to the projected cash flows. **Project is due on the 8th class period.** However, an **intermediate report** (showing spreadsheets and assumptions and a very brief summary) is required to **be turned in the 4th week.** The intermediate report will



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account for 15% of your project grade. Any late submittals will lose 2 points on the intermediate report each day and 10 points on the final report for the first two days. Beyond the two days, reports will not be accepted.

CHOOSE YOUR GROUPS CAREFULLY. "Free riding" will not be permitted. If team members think someone is not doing his or her fair share of the work, the team should meet as a group and try to work things out. I will not be involved in any group problems, unless in extreme circumstances. Additionally, no two groups may turn in the same work. I do keep copies of all past projects.

Project Rules and Grading:

Project Grade: 100 points

Intermediate Report	15 points (timeliness, content will both be graded)
Conceptual understanding of problem:	10 points
Assumptions made:	20 points
Analysis:	25 points
Final Report (timeliness and presentation)	10 points
Peer Evaluation -	20 points

- Rules of group work:

- All group work will be self policed, except in extreme circumstances.
- The Intermediate report will be evaluated for 15 points. At the end of the module a confidential detailed **peer evaluation** will be given to your classmates and the average rating of your group participants. This will affect **20% of your** grade on the project and will also be used to evaluate the remaining 65 percent of your grade. Here is an example of the grading for a group with three participants A, B and C with different evaluations for the same project.

Criteria	Participants	A	B	C
1	Intermediate report grade (15)	14	14	14
2	Peer Evaluation (20)	16	18	20
	Remainder grade (based on peer evaluation)	80% of 62	90% of 62	100% of 62
3	Group received grade of 62/65	49.6	55.8	62
1+2+3	Total grade for participant	80	88	96

Rules on individual work

- All exams, quizzes and cases are strictly individual work.
- I will be the grader, and I do make mistakes. If I mess up, bring it to my attention and I will fix it.

- Rules on Participation

- All participation is welcome. This is qualitative participation. Normally it is expected that you attend all classes. Additional quality participation goes beyond the normal call such as bringing outside material to share with the class.



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EXAMINATIONS

- All examinations will be closed book exams. No notes or textual material of any form will be allowed during examinations.
- Programmable calculators and Personal Digital Assistants (e.g. palm-pilots and the like) are not allowed during the examinations. You may also not share calculators during examinations.

TEACHING METHOD:

The teaching method will be a combination of lectures, problem solving and case discussions.

GRADING:

Exam 1	25%
Final Exam	25%
Project	35%
Quizzes	15%
TOTAL	100%

Grading Structure:

A	90-100
B+	86-89.9
B	80-85.9
C+	76-79.9
C	70-75.9
D	60-69.9
F	< 60

Disabled Students:

Disability Support Services: Students with a documented disability should inform the instructor at the close of the first class meeting. The instructor will refer you to Richard Stilley, Assistant Dean for Student Life (tel: 678-547-6823; office: Sheffield 212), for consultation regarding evaluation, documentation of your disability, and recommendations for accommodation, if needed. More information can be found at www.mercer.edu/stu_support/swd.htm

Mercer University Honor Code and Council (See Mercer catalogue for detailed information)

Honor Code Mercer University Atlanta expects each and every student to maintain the highest principles of academic honesty and integrity. Violations of academic honesty represent a breach of the University's expectations and will be regarded as a serious matter. Violations include, but are not limited to, the following:

Plagiarism The use of ideas, facts, phrases, or additional information such as charts or maps, from any, source, without giving proper credit to the original author. Using direct quotations, paraphrases, or reproductions of any material which is not of the



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student's own authorship is also considered plagiarism. Failure to reference any such material used is both ethically and legally improper.

Cheating
Lying
Stealing

The use of unauthorized sources of information.

I. Protocol for Electronic Submission of Course Work:

The following is the University policy on Electronic Submission. However, no electronic submissions will be accepted in this class.

Students bear sole responsibility for ensuring that papers or assignments submitted electronically **to a professor** are received in a timely manner **and in the electronic format(s) specified by the professor**. Students are therefore obliged to have their e-mail client issue a receipt verifying that the document has been received. Students are also strongly advised to retain a copy of the dated submission on a separate disk. Faculty members are encouraged, but not required, to acknowledge receipt of the assignment.

II. Protocol for use of Cell Phones

Out of courtesy for all those participating in the learning experience, **all** cell phones and pagers **must be placed on "silent" mode or turned off** before entering any classroom, lab, **or formal academic or performance event**.

III. Protocol for Wait List

The names recorded on the wait lists are in order of demand. Wait listed students will be placed into courses as seats become available. Generally speaking, the first student on the wait list will be awarded the first available seat, although circumstances may arise which warrant exceptions to this general principle. Wait lists for the Capstone Courses are the most noteworthy exception to this policy.

IV. Weather

In case of bad weather, please refer to the following sources of information regarding the status of the campuses:

REPORTING STATIONS: WSB-AM 750; WSB-TV CHANNEL 2

MERCER'S HOME PAGE: WWW.MERCER.EDU

MERCER WEATHER HOTLINE (ATLANTA, DOUGLAS & HENRY): (678) 547-6111

MERCER WEATHER HOTLINE (MACON AND EASTMAN): (478) 301-5335



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COURSE OVERVIEW AND OUTLINE

Note: This is a tentative outline and is subject to change.

OUTLINE, TOPICS AND ASSIGNMENTS BY SESSION

Week	Date	Topic	Readings & Assignments
Week 1	5/26/10	Introduction- Class Policies. Introduction – Ch 1 Briefly Chapter 3: Financial Statements, Cash Flow and Taxes Chapter 6&7: <i>Risk Return and the Capital Asset Pricing Model</i>	Q: 3-6, 3-7 P: 3-3 to 3-6; 3-11, 3-12 Q: 6-3, 6-4, 6-6 P: 6-1 to 6-3; 6-6, 6-8, 6-9, 6-10, 6-11;
Assignments for Week 1: Readings: (1) Capital Ideas-Accounting for FCF and the Sale-Leaseback effect (a must read) Try Spreadsheet Chapter 3			
2.	6/2/10	<i>Complete anything left from Chapter 6/7</i> Chapter 2: Time Value of Money Chapter 5: Bond Valuation	P: 2-1 to 2-8; 2-11, 2-12, 2-14, 2-20, 2-21, 2-22, 2-23, 2-24,2-25,2-26,2-31 Q: 5-2; 5-4; P: 5-1 to 5-5; 5-8, 5-11, 5-12, 5-13, 5-14, 5-20;
Assignments for Week 2: (1) Quiz on chapters 1,3 Try Spreadsheet Chapter 6,7 – Risk and Return			
3.	6/9/10	<i>Complete anything left from</i> Chapter 5: Bond Valuation Chapter 8: Stocks and Stock Valuation	Q 8-2 P: 8-1 to 8-12, 8-18



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Assignments for Week 3: (1) Quiz on chapters 2 and 6/7			
4.	6/16/10	Midterm – Chapters 2,3,,5,6,7 If we are behind on any chapter, we will complete that if possible.	Watch a video on corp finance
5.	6/23/10	Complete anything left from Chapter 5: Bond Valuation, if so. Chapter 8: Stocks and Stock Valuation Chapter 10: Cost of Capital	Q 8-2 P: 8-1 to 8-12, 8-18 Q 10-3 P 10-3, 10-5 to 10-7; 10-11, 10-13, 10-15, 10-16
Assignments for Week 5: Quiz on chapter 8/10 Try Spreadsheet Chapter 8 – Stock Valuation Intermediate Report Due			
6.	6/30/10	CASE ASSIGNED: NIKE – COST OF CAPITAL (discussion in class) Chapter 11: The Basics of Capital Budgeting	Q 10-3 P 10-3, 10-5 to 10-7; 10-11, 10-13, 10-15, 10-16 Q: 11-4 to 11-6; P: 11-7, 11-9 to 11-11, 11-14 to 11-16,
Assignments for Week 6: The theory and practice of corporate finance: evidence from the field (a must read) The Trouble with IRR Quiz on chapter 11 (4) Try Spreadsheet Chapter 10/11 – Capital Budgeting			
7.	7/7/10	Chapter 11: The Basics of Capital Budgeting Ch 12: Cash Flow Estimation and Risk Analysis and Corporate Valuation	Q: 12-2; 12-5; P: 12-1; 12-5;
Assignments for Week 7: Quiz on chapter 11/15			
8	7/14/10	FINAL EXAM	FINAL EXAM
Assignments for Week 8: FINAL PROJECT DUE			