

**FINA 7100E Corporate Financial Management**  
**Terry College of Business**  
**Fall 2007**

Professor Rajesh Narayanan  
438 Brooks Hall  
542 3650, [rnarayan@terry.uga.edu](mailto:rnarayan@terry.uga.edu)  
Office Hours: By appointment

**Course Description**

Tools and concepts in corporate finance. Students are required to analyze situations, make value maximizing decisions, and communicate the basis of those decisions. Financial analysis and planning, capital budgeting, evaluation of financing alternatives, company valuation, dividend policy, mergers, and capital structure decisions.

**Prerequisites/Co-requisites/Cross Listings**

There are no prerequisites or co-requisites for this course. This course is not cross-listed. The course is not open to students with credit in FINA 8100.

**Course Objectives**

This course is designed to facilitate the practical applications of the tools and concepts of basic corporate finance to actual finance problems. By evaluating and solving actual problems involving the use of these financial management concepts, you will enhance your understanding of these tools and your ability to apply them in the business world.

This is a case-based course, interspersed with lectures that will assist you in your case preparation. Case discussions and presentations promote independent thinking, clear communication, and a careful attention to all the dimensions of a problem. Specifically, you learn to gather information, evaluate the information in light of theory and standard practice, and arrive at value-creating decisions. In addition, you must be able to communicate the basis for your decisions to both sophisticated and unsophisticated audiences.

Course topics include: financial statement analysis, funding growth, capital budgeting, cost of capital, financial policy and business valuation.

**University Honor Code and Academic Honesty Policy**

*"I will be academically honest in all of my academic work and will not tolerate academic dishonesty of others." — UGA Student Honor Code*

All academic work must meet the standards contained in "A Culture of Honesty", the University's policy and procedures for handling cases of suspected dishonesty ([http://www.uga.edu/ovpi/academic\\_honesty/academic\\_honesty.htm](http://www.uga.edu/ovpi/academic_honesty/academic_honesty.htm)).

All students are responsible to inform themselves about those standards before performing any academic work.

### **Course Materials**

- Textbooks:
  - R.C. Higgins, Analysis for Financial Management, 8<sup>th</sup> edition
  - R. Bruner, Case Studies in Finance, 5<sup>th</sup> edition.

The principal book will be the Bruner case book. The Higgins book will serve as background reading.

### **Grading Policy**

Your performance in the course will be based on the assessments shown below:

|                            |         |              |
|----------------------------|---------|--------------|
| Individual Case Write-ups: | 1 @ 10% | =10%         |
| Group Case Write-ups:      | 4 @ 20% | = 80%        |
| Class Participation:       |         | = <u>10%</u> |
| Total:                     |         | 100%         |

All write up and participation marks will be assigned on a 4 point scale, with 4 being excellent and 1 being unacceptable.

Turn in dates for individual case write-ups, denoted as (I), and group write-ups, denoted as (G), are indicated in the course calendar.

Students will be assigned to groups for case work and preparation. Groups serve to provide students with a network and feedback mechanisms to assist with analysis, computations and decisions. Since group decision-making is an important dimension of actual business decision making, group work contributes to the development of necessary skills.

All requests for review of graded work must be made promptly (within one week of the return of the work) and must be in writing. The request should include clear analysis of how the work was interpreted or graded inaccurately.

A letter grade based on your total marks will be assigned as follows:

|             |             |             |
|-------------|-------------|-------------|
|             | A = 92-100% | A- = 90-91% |
| B+ = 87-89% | B = 82-86%  | B- = 79-81% |
| C+ = 77-78% | C = 72-76%  | C- = 69-71% |
| D+ = 67-68% | D = 62-66%  | D- = 59-61% |

## **Class Preparation**

All assigned material should be read before class. To prepare for case discussions in class, students should read the assigned case and attempt to answer the questions posted on the course website.

## **Attendance/Make-up Assessment/Drop Policy**

Due to the nature of this course, regular attendance is expected so that you may benefit from in-class discussions of cases and applications to real-world issues.

An inability to attend class or turn in an assessment due to religious, personal or other extenuating circumstances that may arise is certainly understandable. Regardless of the reason, if you know in advance that you are going to be unable to attend class or turn in your assessment, it is required that you provide the instructor with advance notice. This is so that suitable alternative plans can be made that will ensure that you and your fellow students are provided with equal opportunity and treatment. Make-up assessments will be handled on a case-by-case basis.

Dropping the course may be done in accordance with the guidelines established in the University of Georgia Schedule of Classes (<http://www.bulletin.uga.edu/bulletin/ind/acadcalendar.html>).

## **Communication and Website**

Students are welcome to stop by my office at any time. It is a good idea to send an e-mail first if you want to be sure to catch me in. I also respond to e-mail questions as quickly as possible. We have a blackboard website for the course (<http://terry.blackboard.com>). The website will include the material to accompany the lectures, important notices, case questions, hints and suggestions for cases, and identification of materials of interest to the class. The site will be used for communication to the student; there will be no discussions on the site nor will assignments be submitted through the site.

## Course Calendar

The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

| <b>Date</b> | <b>Topic</b>   | <b>Reading<br/>(Higgins)</b>                             | <b>Case<br/>(Bruner)</b>   |
|-------------|--|--|--|
| 8/16        | Introduction<br>Cash Flow and Profitability            | Chapter 1  |  |
| 8/23        | Financial Performance<br>Ratio Analysis                | Chapter 2  | Financial<br>Detective   |
| 8/30        | Financial Statement Analysis                           | Chapter 2  | Krispy Kreme (G)   |
| 9/6         | Financial Forecasting – Percentage<br>of Sales method  | Chapter 3  | Body Shop  |
| 9/13        | Financial Forecasting – Cash<br>Budgets                | Chapter 3  | Kota Fibres  |
| 9/20        | Managing Growth – Cash Burn<br>Rate                    | Chapter 4  | Server Vault (G)   |
| 9/27        | Investment Criteria and<br>Discounted Cash Flows       | Chapter 7<br>(pp.240-258)                                | Investment<br>Detective  |
| 10/4        | Capital Budgeting – Relevant cash<br>flows             | Chapter 7<br>(pp. 259-269)                               | Diamond Chemicals<br>(A)   |
| 10/11       | Capital Budgeting – mutually<br>exclusive projects     | Chapter 7<br>(pp. 269-276)                               | Diamond Chemicals<br>(B)   |
| 10/18       | Capital Rationing                                      |  | Euroland (I)   |
| 10/25       | No class – Fall Break                                  |  |  |
| 11/1        | Risk and Cost of Capital<br>Estimating Cost of Capital | Chapter 8<br>(pp. 283-305)                               | Nike   |
| 11/8        | Cost of Capital and EVA                                | Chapter 8<br>(pp. 317-320)                               | Coke Vs. Pepsi   |
| 11/15       | Project Analysis                                       | Chapter 8<br>(pp. 305-312)                               | Star River (G)   |
| 11/22       | Capital Structure Irrelevance<br><br>Financial Policy  | Chapter 6<br>(pp. 199-210)<br>Chapter 6<br>(pp. 212-222) | Intro to Debt Policy<br><br>Structuring<br>Corporate Financial<br>Policy |
| 11/29       | Tax Benefits vs. Financial Distress<br>Costs           | Chapter 6<br>(pp. 212-217)<br>Chapter 8<br>(pp. 323-326) | Wm. Wrigley  |
| 12/6        | Financial Flexibility                                  | Chapter 6<br>(pp. 217-219)                               | Deluxe (G)   |