

Corporate Finance Theory

FINA 4200 (Call #22-109) - Summer 2008

Terry College of Business, University of Georgia

Monday-Friday, 9:15-11:30 AM, Caldwell 302

Instructor

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Office Hours: Monday-Thursday - 3:30-4:30 PM

Course Description/Objective

This course is intended to provide students with a foundation in the modern theory of corporate finance. The focus will be on developing concepts useful for understanding a broad range of major corporate financial decisions. The topics include capital budgeting, market efficiency, financial markets and financial instruments, the goals and conflicts among different stakeholders in the firm, tradeoffs in the choice of an optimal capital structure, determinants of optimal investment and payout policy, and the role of financing and investment in corporate strategy.

Prerequisites

The course prerequisite is FINA 3000 [Financial Management].

Course Material/Books

- *Corporate Finance*, by Ross, Westerfield, and Jaffe (ISBN: 978-0-07-310590-1), McGraw-Hill, 2008 (Eighth Edition).
- *The Wall Street Journal* (Recommended)
- Financial calculator

WebCt

WebCt will be used for posting assignments, solutions, and course grades. Please familiarize yourself with it if you have not used it in the past.

Office Hours/Visits

My office hours will be Monday to Thursday from 3:30-4:45pm. I encourage you to make use of this time if you have any questions concerning the class.

Course Grading

I may elect to slightly relax these breakdowns, at my discretion, after the final course numeric scores are determined but I will not make them more stringent.

Letter Grade	Numeric Grade
A	94-100
A-	90-93.99
B+	87-89.99
B	84-86.99
B-	80-83.99
C+	77-79.99
C	74-76.99
C-	70-73.99
D	50-69.99
F	0-49.99

Course Assignments/Grade Breakdown

Attendance/Participation/Computer Use	10%
In-Class Random Quizzes	10%
Problem Sets/Projects(2)	30%
MidTerm Exam	20%
Final Exam (7/2/08)	30%

Attendance/Participation/Computer Use (10%)

Come to class, participate, and use the computer properly (no surfing, etc.) and you will get the full 10%.

In-Class Random Quizzes (10%)

There will be ten in-class quizzes. You may drop two quizzes, so each quiz will be worth 1.25%. The quizzes will consist of several questions regarding material recently covered in class.

Problem Sets/Projects (30%)

Projects are similar to traditional homework assignments from your other courses. The projects will be done in groups in 3 or 4. There will be two projects worth 15% each.

MidTerm Exam (20%)

There will be a midterm exam on June 18th.

Final Exam (30%)

The class final will not be cumulative and is scheduled for Wednesday, July 2nd at 9:15am. Be sure and mark your calendars!

Tentative Class Schedule

Date	Session	Topic Covered	Textbook
06/05 (Thu)	1	Syllabus / Class Intro	
	2	Intro to Corporate Finance	Ch 01
06/06 (Fri)	3	Time Value of Money	Ch 04
	4	————Continued————	
06/09 (Mon)	5	How to Value Bonds	Ch 05
	6	How to Value Stocks	Ch 05
06/10 (Tue)	7	NPV and IRR	Ch 06
	8	————Continued————	
06/11 (Wed)	9	Making Capital Investment Decisions	Ch 07
	10	Sensitivity Analysis and Break-Even Analysis	Ch 08.1
06/12 (Thu)	11	Risk and Risk Statistics	Ch 09
	12	————Continued————	
06/13 (Fri)	13	CAPM Model	Ch 10
	14	————Continued————	
06/16 (Mon)	15	Factor Models and Betas	Ch 11 and Ch 12
	16	————Continued————	
06/17 (Tue)	17	Efficient Markets	Ch 13
	18	————Continued————	
06/18 (Wed)	19	MIDTERM EXAM	
	20		
06/19 (Thu)	21	Long-Term Financing	Ch 14
	22	————Continued————	
06/20 (Fri)	23	Theory of Capital Structure	Ch 15
	24	————Continued————	
06/23 (Mon)	25	Theory of Capital Structure, Part 2	Ch 16
	26	————Continued————	
06/24 (Tue)	27	The Levered Firm	Ch 17
	28	————Continued————	
06/25 (Wed)	29	Dividends and other Payouts	Ch 18
	30	————Continued————	
06/26 (Thu)	31	Issuing Securities	Ch 19
	32	————Continued————	
06/27 (Fri)	33	Long-Term Debt	Ch 20
	34	————Continued————	
06/30 (Mon)	35	Options and Corporate Finance	Ch 21
	36	————Continued————	
07/01 (Tue)	37	Mergers and Acquisitions	Ch 29
	38	Final Exam Review	
07/02 (Wed)		FINAL EXAM	

Policies

Attendance/Assignments/Exams

As future business leaders, you will be expected to attend meetings and meet important deadlines. Excuses such as “I just forgot”, “I stayed out too late last night”, or “I’m just not ready” will simply not cut it in the business world. In the same vein, I expect you to attend class, submit projects timely, and take exams at the scheduled time.

However, if you do have an extreme circumstance (medical or family emergencies) where you will have to miss an exam or submit a project late. Let me know **in advance** and I will work something out with you.

Computer/Internet Use

As your instructor, I expect you to listen and pay attention in class. Checking email and surfing the web is not paying attention. I know many of you are smart and can do many things at one time, but you will not be practicing your multi-tasking in this class. Violations of this policy will be handled severely.

Academic Honesty

All academic work must meet the standards contained in “A Culture of Honesty.” You can find the policy at: [<http://www.uga.edu/ovpi/honesty/ah.pdf>]. All students are responsible to inform themselves about those standards before performing any academic work.

I fully subscribe to the University’s policies on academic honesty. I take my teaching responsibilities very seriously, and I expect every student to do likewise. I have zero tolerance for breaches of academic integrity, and I will report all suspected offenses.