

University of Georgia, Terry College of Business

FINA 4200: *Corporate Finance Theory*

Fall 2009

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Class times: MWF 9:05-9:55 and 10:10-11:00 Sanford 112

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COURSE DESCRIPTION AND OBJECTIVES

The main objective of this course is the development of a framework that is useful for understanding a broad range of important corporate financial decisions. Substantial emphasis will be placed on discussion of the determinants of corporate financing and payout policies, alternative methods of security issuance, and mergers and acquisitions.

After completing this course, students should have a theoretical background and a framework for considering corporate finance problems and issues, including capital budgeting, cost of capital, capital structure, dividend policy, valuation models and other special topics.

COURSE MATERIALS AND PREREQUISITES

1. Required Text: Brigham and Daves, *Intermediate Financial Management*, 9th Edition.
2. A financial calculator is required. An HP-10BII or Texas Instruments BAII Plus is recommended.
3. Class notes and syllabus can be downloaded from elc.uga.edu. If you cannot see your course, please submit a request to the EITS Helpdesk at: <http://elc.uga.edu/contact.html>
4. **Suggested Readings:** *Wall Street Journal*, *Business Week*, *Fortune*, and *Forbes*

Students taking FINA 4200 should have passed FINA 3000 and MSIT 3000 or STAT 3000. You are expected to have a thorough knowledge of financial statements and time value of money concepts.

ASSIGNMENTS AND EXAMINATIONS

Problem Sets

Suggested homework problems are listed on the Course Outline at the end of this syllabus. These are for your benefit when studying for the exams. The solutions to these problems will be posted on eLC.

Cases

Each group (of 2-3 students) is responsible for submitting solutions for the cases listed in the course outline. ***Working with members of another group on these assignments is a violation of the academic integrity code.*** The solution should be in the form of a 2-3 page executive summary plus any necessary attachments (spreadsheets, calculations etc.). All assumptions should be clearly listed. These cases are due at the beginning of class. You should prepare each case as if it were being submitted to the CEO of your corporation. Hence, it must have a professional appearance. The analysis must be **typewritten** and should read well. ***No late work is accepted.*** The grade on the case will be based both on the written portion (2/3) and on participation during the case discussion (1/3). Specific questions to be answered in your analysis will be posted on eLC.

Exams

There will be three midterm exams. They are not cumulative, except in the sense that certain material taught early in the class will continue to be used throughout the semester. I will provide a formula sheet for each exam but it will **not** have definitions or instructions on how to use the formulas. Exam grades will be based on both the approach taken and the correctness of the response. Calculators will be permitted.

There will be no make-up exams. Exams are scheduled well in advance so that you can plan around these dates. Do not ask to be excused from exams for matters of personal convenience. An unexcused absence without supporting documentation (e.g. doctor's note or police report) will result in a grade of zero. For an **excused** absence of *one* midterm, the midterm grade will be replaced by the grade on a cumulative final given during finals week.

GRADING POLICY

I will curve the grades based on relative performance if the class average is below 70% (this is not likely). I will use the UGA standard +/- grading scale. The makeup of your grade is as follows:

Item	Percent
Midterm I	27
Midterm II	27
Midterm III	28
Cases and case participation	18
Total Grade	100

I will generally take attendance as this helps me to learn names. Attendance and participation will be factored into your grade, but only if it helps you. In other words, you could never attend class and still get an A if you perform well on all the tests. If your grade is borderline, but you have attended class and participated regularly, I am likely to bump your grade up rather than down at the end of the semester.

Re-grades will only be considered within one week of the date the graded material is made available to you and must be in writing. Please limit re-grade requests to grading errors. Frivolous requests (i.e., those where the item was graded correctly) will be penalized by the amount of points you ask to be re-graded.

OTHER COURSE POLICIES

Lectures

Lectures will stress the most important issues addressed in the text. You are responsible for all material covered in class, assigned readings, suggested problems and study questions, and problem sets. Lectures may go beyond the scope of the textbook for certain topics. Therefore, it is important for you to attend class. **You are responsible for all announcements made in class.** Class lectures will sometimes involve working through problems. Thus, you should bring a calculator to class so that you may work problems and participate in class.

Other Issues

Communication in a class this size can be difficult and I want to make it as efficient as possible. It is easy to email me your questions and I will reply as soon as I can. I am available during office hours and will gladly schedule an appointment with you if the alternatives listed above do not meet your needs.

Laptops

Due to the growing problem of students not using laptops in the classroom for their intended purpose, laptops will not be allowed in class. If you have serious issues with this, then you can email me an explanation of why a laptop is necessary or will improve your performance in class. If I feel that your reasons are valid, I will allow you to use a laptop in class. However, in this case, you must (1) sit in the front row of class, and (2) show me at the end of every class that you used your laptop for legitimate classroom purposes (e.g., show me the notes you took during class etc.)

UNIVERSITY HONOR CODE AND ACADEMIC HONESTY

The honor code is taken very seriously in this class. **Cheating is a poor choice - the consequences far outweigh the benefits.** As a University of Georgia student, you have agreed to abide by the University's academic honesty policy, "A Culture of Honesty" found at: www.uga.edu/honesty. Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.

COURSE OUTLINE AND SCHEDULE

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

Week	Dates	Chapter(s)	Lecture Notes	Suggested Problems	
1	Aug 17	1, 7-8	1-2		Introduction, Accounting Statements, Ratio Analysis
2	Aug 24	7, 9	2-3	7.4, 7.6, 7.8, ww*, 9.5, 9.7	Accounting Statements and Cash Flows, Long Term Financial Planning
3	Aug 31				Tire Town case due Monday, Aug 31
		13	4	13.4, 13.11	NPV and Capital Budgeting, Sensitivity Analysis
4	Sept 7				Labor Day
		14	5	14.1	Real Options
5	Sep 14	2-3	6	2.6, 2.9, 2.12, 2.14	Risk and Return
					Exam 1 – Friday, Sept. 18
6	Sep 21	3, 4, 5	6-7		Risk and Return, Long term Financing
7	Sep 28	18	8		Issuing Securities to the Public
8	Oct 5	10	9		Cost of Capital
9	Oct 12				Marriott case - TBA
		11	10	10.3, 10.6, 10.7, 10.8, 10.11, 10.16	Corporate Valuation
10	Oct 19	15	11	11.4, 11.10, 15.3, 15.4, 15.5	Capital Structure
11	Oct 26				Exam 2 – Wednesday, October 28
	Oct 30				Fall break
12	Nov 2	25, 16	12	16.2, 16.3, 16.4	Financial Distress, Limits to use of Debt
13	Nov 9	17	13	17.2, 17.8	Payout Policy
14	Nov 16	26	14	26.1	Mergers and Acquisitions
15	Nov 23				Thanksgiving Break, no class
16	Nov 30	21, 23	15	21.11, 21.12, 23.2	Short-term Finance
					Exam 3 – Friday, December 1
17	Dec 7				Short-term Finance
	Dec 8				Friday class schedule held, Dell's WC case due
18	Dec 14				Final for 9:05 class (8-11)
	Dec 16				Final for 10:10 class (8-11)

* ww is the Willy Wonka problem at the end of the lecture 2 notes.