

Brandeis University  
INTERNATIONAL BUSINESS SCHOOL

FIN 204A – Advanced Corporate Finance: Theory and Practice  
Fall 2018 – updated August 27, 2018

**Instructor:** Robert Podorefsky

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**Phone:** (508) 245-5888

**Office Hours:** Mon/Weds 1:00 to 3:00 pm and Friday by appointment.

**Class Hours:** Mon/Weds: FIN 204A-1 (9:30 – 10:50 am) & FIN 204A-2 (11:00 – 12:20 pm)

**Fall Session:** Class begins Wednesday August 29, 2018. Last class December 10, 2018

**Location:** Sachar International Ctr 116

**Teaching Assistants:** FIN 204A-1: Xiaotong Yu. FIN 204A-2: Kevin Xiao

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Office Hours: TBA

**Course objectives:**

The objective of this course is to develop depth of financial skills and logical thought processes necessary to formulate and implement corporate finance decisions in a competitive environment. Upon successful completion of this course, students will have developed deeper understanding on issues related to firm and project valuation, capital structure and security issuance decisions, payout policies, and corporate restructuring decisions. These issues are central to the investment, financing, and strategic policy decisions facing financial managers, investment bankers and corporate financial analysts. We will analyze how such professionals make managerial decisions within a framework which is affected by information asymmetry and uncertainty, thereby simulating real world decision making.

**Learning goals and outcomes:**

- Understand different aspects of project and firm valuation over a firm's lifecycle
- Understand financial contracting in addressing information and incentive problems
- Understand core elements of financial planning
- Understand the sources of internal and external financing over a firm's lifecycle
- Understand the relevant elements of different corporate deal structure

**Prerequisites:**

This course is only for MSF students and there is no prerequisite. For all others special instructor permission is required.

**Workload expectation:**

As FIN 204A is a four-credit course, you are expected to spend a minimum of 9 hours of study time per week in preparation for class (readings, papers, discussion sections, preparation for exams, research, etc.).

### **Method of Instruction:**

Instruction will be a combination of lectures, case studies, problem solving, and group projects. This course is fast paced, very technical in nature, and it requires each student to do considerable out-of-class work as well as work in groups. Problem solving and case studies are very important in this course and class participation is very strongly encouraged from all students throughout the term. Students are also required to read and keep up with day to day financial news and updates. You should read all assigned material (textbook chapters, case studies etc.) prior to coming to class. The material will mean a great deal more to you, and you will understand and retain much more of it, especially when you review the class notes and problems prior to exams.

### **Course materials:**

- **Textbook:** *Principles of Corporate Finance*, 12th Edition, Brealey, Myers, Allen, McGraw-Hill, 2017. Students will also need access to the assigned chapters and text materials online through the McGraw Hill “Connect” eBook application. Instructions for “Connect” registration and accessibility will be posted on Latte in August (see below). The URL for your “Connect” section “web address” is:

#### **Fin 204a-1 section, 9:30 – 10:50 am class**

<http://connect.mheducation.com/class/r-podorefsky-fin-204a-1-fall-2018-mon-and-weds-930---1050-am-2>

#### **Fin 204a-2 section, 11:00-12:20 pm class**

<http://connect.mheducation.com/class/r-podorefsky-fin-204a-2-fall-2018-mon-and-weds-1100-am---1220-pm-1>

- Lecture notes and other materials will posted on LATTE are equally important as the required text.
- Reading current business periodicals, such as the *Financial Times* or the *Wall Street Journal* is necessary to do well in this course. Current business developments and news will be discussed as it relates to course content, so that you understand how these are applied to real world situations. A very important benefit of keeping up with current business events is that it may provide you tremendous ammunition with which you can impress career job interviewers.

### **Cases:**

- The case materials are available on the Harvard Business Education web site. You will need to register on the site to create a user name if you do not already have one. Once you have registered, you can log in to see the course materials by doing the following:
  1. Visit **hbsp.harvard.edu** and log in
  2. Click **My Courses**, and then click this course name: **Fin 204A-1: Advanced Corporate Finance, Fall 2018** or **Fin 204A-2: Advanced Corporate Finance, Fall 2018**
- The Course pack direct link for section **Fin204A-1** is:
- <https://hbsp.harvard.edu/import/563887>

- The Course pack direct link for section **Fin204A-2** is:  
<https://hbsp.harvard.edu/import/563902>
- All course materials are in PDF documents, and you can open them with Adobe Reader. You will have access to these materials for the semester.
- For technical assistance, please contact the Harvard Business Publishing Tech Help line at (800) 810-8858 (outside the U.S. and Canada, call 617-783-7700); or email [techhelp@hbsp.harvard.edu](mailto:techhelp@hbsp.harvard.edu).

**Additional Readings:**

- Will be either handed out in class or electronically distributed via LATTE or email.

**Case Studies:** The case studies will be group assignments that can be completed in groups of **no more than four people** in your section. Written case study assignments are due at the start of the class. Late assignments will not be accepted.

Each case write-up **must** include an executive summary (maximum length one page) outlining key issues and recommendations. The main body of the report must be no longer than 8 pages, double spaced. Figures and tables should be put in an appendix at the end of the report. All figures and tables must be numbered and all pages, including pages with tables and figures must be numbered.

**Homework Problem Sets:** You will also be provided with additional homework practice problems on various topics throughout the course. These problem sets will be due in class for grading and review; if you do not hand in your problem sets on time you will get no credit for that homework assignment. I cannot overemphasize the importance of working these problem sets out in detail by yourselves. The exam problems are very often modeled on the problems in these problem sets. The most important and most helpful suggestion for doing well in this course is to do all the assigned questions and problems and then review them so that you are able to do them on the exam. The surest way to do poorly in this course is to not carefully work on these homework assignments. If you have any difficulty in solving the problems, please contact me or the TA for this course.

**Financial Calculator:** For some of the first few classes students will **definitely** need a hand-held financial calculator that has Time Value of Money functions and you will need to be able to use your calculator effectively. Texas Instruments TI BAII Plus, Sharpe EL 733A, and Hewlett Packard HP10-B are some commonly used ones, but you may use any. Look for n, i or I/Y, PMT, PV, FV, CF, IRR and NPV functions on the calculator. Note that scientific calculators, such as the TI-85, are not programmed for the functions needed for this course.

### **Grading and Student Evaluation:**

The final grade will be determined according to the following components:

Case Study Group Assignments	10%
Case Study in Class	05%
Homework	05%
Midterm (2)	30%
Final Group Project	10%
Final Group Presentation	05%
Final Exam	<u>35%</u>
Total	100%

**Class Contribution:** Contribution is an essential component in the overall education experience. Contribution takes many forms: asking informed questions in class, handing in solved problem sets, contributing actively to group projects, making intelligent comments, reading the assigned cases and being prepared to discuss the issues, actively listening to your peers and working with others. Please remember that quantity is no substitute for quality. There will be ample opportunity to contribute to the class. **It is your responsibility to ensure that you take an active role in the class. If this is a problem for you, I urge you to talk to me to discuss ways you can make a contribution.**

**Assignments and Exams:** There will be potentially 15 homework assignments (including case studies), 2 midterm exams, and 1 final exam. The final exam will be a 3 hour exam. **The final exam is comprehensive and cumulative.** Last minute conflicts and illnesses will be handled by rearranging the weights of the assignments to reflect the missed work. (Weights will be moved to the other assignments **ONLY** for illnesses or other unanticipated conflicts. Missing a homework/case assignment or exam (without any reason) will lead to zero credit for that part and the weight will **not** be shifted). You cannot skip the final exam – if you do, you will get zero for the final – the weight from the final will not be moved to the other components. **There will be no makeup exams or assignments** for this course, except only under extraordinary circumstances.

Exams are not open book or open notes. However, you may bring a *formula sheet* to the final exam. A formula sheet is an ordinary (A4) piece of paper, 8-1/2"x 11", on which you may write, type, print, or copy formulas ONLY- no definitions or any other text will be allowed. You may use both sides of the sheets. You may not staple or tape any extensions or booklets onto the formula sheet. **Do not abuse this privilege – if you do there will be severe penalties on your final grade.**

### **Use of Laptop Computers and Cell Phones in Class:**

Smartphones, Cell phones and PDA.s (i.e., Blackberry.s, I Phones, etc.) must be **turned off** during lectures. Laptops may be used but **ONLY** to browse the lecture slides or take notes. Regular class attendance is mandatory and strongly advised if you want to do well in the course. I stick quite closely to my slides and what I discuss in class when setting exam questions. Laptop computers and cell phones may not be used during exams.

### **Disabilities:**

If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me immediately.

### **Academic Integrity:**

The instructor enforces all University rules, especially those regarding academic honesty and integrity. Note: there is a zero tolerance level in this area. Plagiarism is cheating. The use of another's material without permission and without recognition is cheating. This applies to text books, solution manuals, study guides, a friend's assignment, past assignments, internet resources or any other material irrespective of the source.

You are expected to be familiar with and to follow the University's policies on academic integrity: <http://www.brandeis.edu/studentlife/sdc/ai/>. Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University.

**See pages 6 and 7 for class schedule.**

## Class Schedule

Note: **This syllabus is preliminary and may likely change as the course progresses.** The instructor reserves the right to add and remove readings from the course and to alter or modify the lecture schedule as required. I will give you notice of any such changes or modifications.

Chapter in the book	Planned class dates including Exams	Topics
Review of concepts: Chapters 1 to 9 and selected topics from Chapters 13 and 28.	Weeks 1 & 2	Review of Time Value of Money, Risk and Return, NPV, IRR, CAPM, Portfolio Risk, Capital Budgeting.
<b>Case Study: Acid Rain: The Southern Company (A). Group Assignment: Due – TBA</b>		
Chapters 28 and 29: Intro to Financial Statement Analysis	Week 3	Interpreting Financial Ratios and Financial Planning
Chapter 17 and 18: Capital Structure, Agency costs and Signaling. Chapter 23: Selected Readings from Credit Risk	Week 4  Midterm # 1	M&M theory, application in real world in the presence of information asymmetry, clientele effects, and taxes. Predicting Probability of Default – Z-Score/KMV model.
<b>Case Study: Winfield Refuse Management Inc.: Raising Debt vs. Equity (Date - TBA) (in class case discussion)</b>		
Chapters 15 and 16: Security Issuance and Payout Policy	Weeks 5 & 6	Cash versus Stock dividends and share repurchases.  IPOs
<b>Case Study: Knoll Furniture: Going Public. Due – TBA</b>		
Chapter 19: Valuation and Corporate Restructuring	Week 7	Evaluating diversifying versus scale enhancing projects; Adjusted Present Value; Spin-offs, Carve-outs, and M&A.
<b>Case Study: Canadian Pacific Ltd.: Unlocking Shareholder Value in a Conglomerate. Group Assignment: Due – TBA</b>		

Chapters 20 and 21: Options and Valuing Different Options	Week 8 Midterm # 2	Call and Puts; Binomial method for option valuation; Black-Scholes formula; Applying Black-Scholes to executive stock options; calculating implied volatilities.
Chapter 22: Real Options	Weeks 9 & 10	Analyzing value of follow-on investment opportunity; the abandonment option; Application to venture capital (VC) financing.
<b>Case Study: Arundel Partners: The Sequel Project. Group Assignment: Due – TBA</b>		
Chapter 24: Convertible Bonds and Warrants	Weeks 11 & 12	Pricing rights, warrants, and convertible bonds.
<b>Case Study: Avon Products. Group Assignment: Due – TBA</b>		
Formal presentations of Analyst Reports by Group Project Teams (see Analyst Report – Final Group Project Details)	Week 13	
Course Wrap Up		
<b>Final Exam Date &amp; Location TBD – per University Schedule during Dec 13 - Dec 20 period</b>		