

Finance 551-101
Problems in Corporate Financial Policy
Fall 2007-2008
Wednesdays 6:00 p.m. – 9:15 p.m. Room O'Hare 224

Course Description: This is an intermediate course in finance that uses a series of cases to explore and apply theoretical and practical tools of financial decision-making.

Required/Recommended Texts and Cases:

Corporate Finance by Ross, Westerfield and Jaffe (7th or 8th Edition): Recommended
I will provide background materials from this textbook, which is the standard text used in FIN555- the primary prerequisite for this course. Alternatively, you may choose to use any other introductory corporate-finance textbook with which you are familiar.

The Wall Street Journal: Required

You should subscribe at <http://subscribe.wsj.com/quarter>, where you can simply follow the instructions to subscribe for the 10-week quarter that our course spans. Please note that your subscription entitles you not only to a copy of the paper version of the WSJ but also to the electronic WSJ.

Cases: Required

The cases that we will cover will be available electronically from Study.net (www.study.net) and Blackboard. You must register at the Study.net website, after which you will be able to purchase cases. If you have problems obtaining the cases, please contact me so that I can make alternative arrangements to get the cases to you.

Goals of the Course: The goals of this course are

- (i) To develop expertise in applying financial theory, including capital budgeting, capital structure, dividend policy, corporate governance and risk management, to the types of problems that arise in the management of a modern corporation.
- (ii) To develop expertise in applying financial mathematics to the types of problems that arise in the management of a modern corporation, including the valuation of financial and real assets.

Learning Outcomes: Upon successful completion of this course, it is expected that the student will be able to:

- (i) Apply financial theory to solve problems that arise in the management of a modern corporation, including capital budgeting, capital structure, dividend policy, corporate governance and risk management.
- (ii) Apply financial mathematics to solve problems that arise in the management of a modern corporation, including the valuation of financial and real assets.
- (iii) Work in a group setting to tackle complex problems that arise in the management of a modern corporation.

Prerequisites: FIN555 or equivalent

Academic Integrity Policy: As a condition of their enrollment in this course, students are expected to understand and abide by DePaul University's Academic Integrity Policy (AIP) as outlined in <http://studentaffairs.depaul.edu/handbook/code16.html>. A violation of the AIP will result in sanctions, including a failing grade for the course.

Course Format: At the beginning of each class, we will discuss how current events reported in the Wall Street Journal and other sources of financial news relate to corporate finance. We then will break into case-study groups, to which students will be randomly assigned during the first class, at which time group members will meet for about 15 minutes to review the group's notes about how to solve the case assigned for that week. Students are expected to have read and analyzed the assigned material in significant detail prior to each class discussion. Groups also are required to prepare a written set of discussion notes for each case (see below), which must be handed in at the beginning of each class.

Grades: Your letter grade for the class will be determined using a curve based upon the distribution of your numerical grade, which will be a weighted average of your grades from weekly class discussion, weekly group case notes, the group case analysis and a final exam.

The weights are:

Class Discussion: 30%

Group Case Notes: 30%

Group Case Analysis: 20%

Final Exam (Optional): 20%

If you choose to skip the final exam, grades will be assigned using the following weights:

Class Discussion: 40%

Group Case Notes: 40%

Group Case Analysis: 20%

The median score will be set as the mid-point for a "B" letter grade. The "A" range typically will begin one standard error above the median and the "C" range typically will begin one standard error below the median. A score more than two standard errors below the median will be an "F". (In practice, grade distributions tend to be skewed towards the "A" end.)

Class Discussion: Class discussion will focus on the case assigned for each class during weeks 2-10. Students must participate in these discussions. Class participation will be graded on the basis of quality of contribution rather than quantity of contribution. However, quality is not possible without some quantity. Because this class is discussion-based, attendance is imperative. I will provide you with feedback about halfway through the course on how I have viewed your contribution. If you expect to miss more than one class, I strongly recommend that you drop the course, as your discussion grade will be zero for the classes you miss. I understand that job requirements sometimes force a student to miss a class and I will work with you if such a circumstance should arise, but you must inform me in advance.

Group-Case Discussion Notes: At the beginning of each class, each group must submit a typed copy of notes (not exceeding two pages) that group members have made in preparation for class discussion of the case assigned for that class. These notes should identify the major issues presented in the case, and should demonstrate an acceptable effort in analyzing the case and identifying the qualitative and quantitative techniques needed to “solve” the case. Discussion notes need not resolve all of the issues in the case, as some issues may remain unresolved even after class discussion has ended. Grades will be assigned to group-case discussion notes on a four-point scale.

Group-Case Analysis: Each case-study group is also responsible for preparing a formal written analysis of the First National Bancorp case. The written analysis (4 pages double-spaced text maximum, 12 pages of exhibits maximum) will count for 20% of each group member’s final grade. Students will be randomly assigned to case-study groups during the first class. Specific guidelines for preparing this written group report appear below.

Final Exam: The optional final exam will be a take-home exam due November 14th and will count for 20% of each student’s final grade. The exam will require each student to analyze a case (TBA) using the same guidelines as for the group case analysis.

Course Reading Assignments:

Below is a list of the cases to be covered in this class. I reserve the right to alter one or more assignments at a later date.

1. TBA
2. Empirical Chemicals Ltd. (A): The Merseyside Project. Darden Case UVA-F-1020 ver. 2.3.
3. Grand Metropolitan PLC. Darden Case UVA-F-1019 ver. 2.2.
4. Avon Products, Inc. Harvard Business School Case 9-289-049 (8/5/94).
5. Bayern Brauerei. Darden Case UVA-F-1027 ver. 2.2.
6. E. I. Du Pont de Nemours and Company 1983. Harvard Business School Case 9-284-062 (11/15/93)
7. Merton Electronics Corporation. INSEAD Case 196-017-1
8. First National Bancorp.
9. Simon’s Hostile Tender for Taubman (A). Harvard Business School Case 9-205-052.
10. TBA

Course Material on the Web:

I will be placing course material on the web. You will be able to access the material through Blackboard under the course titled “FIN_551_101_2007-2008_AUTUMN” using your Campus Connect user name and password. Please check the “Announcements” section (on Blackboard) periodically and the day before class for information related to the course.

Written Group Reports:

The written case reports will differ from weekly group notes that are used for our discussions in several fundamental ways. The written report should have a professional appearance. It should be word-processed with appropriate headings and attachments. Spelling, punctuation, sentence structure and word usage should be literate and appropriate for a business document. Exhibits should be relevant and appropriate. In order to focus your efforts and facilitate grading, the paper should be formatted as follows:

- First, a brief introduction will describe the global problem faced by the principal actor(s) in the case.
- Second, the body of the report should be formatted as follows:

Finance/Business Dilemma (Issue) I

Theoretical issues and techniques which might normally control resolution of the Dilemma I.

Practical considerations that might dictate a deviation from the purely theoretic resolution of Dilemma I.

Finance/Business Dilemma II.

Theoretical issues and techniques which might normally control resolution of the Dilemma II.

Practical considerations that might dictate a deviation from the purely theoretic resolution of Dilemma II.

Additional Issues use the same format: Statement of Dilemma, Theory Discussion, Practical Issues Discussion

Third, the summary should draw together the preceding analysis and offer conclusions and recommendations.

General equations may be presented in the text of the report, but avoid presenting numeric analysis in the body of the document. Such analysis should be presented as an exhibit, if necessary.

The text portion of the paper should not exceed 4 pages of double spaced 10 pt font with normal sized margins and headers. In order to encourage brevity, the shortest document will earn a "brevity bonus" raising the paper grade by one grade increment (for example, B+ becomes A-). Please use the Word Count function under "tools" on Word to report the aggregate number of words in the introduction, body, and conclusion of the document.

Exhibits, which do not count toward the four-page limit, should be "self-documenting" so that a person who picks up the exhibit need not refer to the main text to understand the information in the exhibit. Exhibits should start with a title, followed by a description of

the contents of the exhibit, and then the body of the exhibit (table, chart, etc.). Footnotes in the exhibit are often useful as well. Include whatever exhibits you deem necessary, but don't waste the reader's time with exhibits that do not add significant value to the analysis. Don't use two similar exhibits where a single exhibit can capture the essence of the point(s).

Each team should submit both a copy of the document via an e-mail attachment and a hard copy. If Excel documents are attached as exhibits to the hard copy, the Excel files should also be forwarded as an attachment to the e-mail. You do not need to imbed the Excel file in the Word document. The file name for the submitted e-mail attachments should look like the following:

"Smith,Jones,Brown,Dufus.doc" and "Smith,Jones,Brown,Dufus.xls"

Note: The report should not be bound – just stapled together

In addition to the document, students will submit, in separate sealed envelopes attached to the hard copy of the document, a letter describing

- his/her contribution to the work product,
- the contribution of the other team members,
- an assessment of “how the process went.”

Please, remember to put your name on the letter.

STUDENT BIOGRAPHICAL PROFILE
Finance 551-101

DePaul University
Fall Quarter 2007

RECENT PHOTO

Name: _____

Address: _____

City _____ State ____

Home Phone: _____

Business Phone: _____

Fax Number: _____

E-mail address: _____

Business

Name: _____

Business

Address: _____

Brief Statement of current job responsibilities (if employed)

Undergraduate Degree: _____

Previous Finance Courses: _____

Previous Accounting Courses: _____

Previous Statistics Courses: _____