



Finance 4030 Corporate Finance Syllabus - Fall 2023

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Office Hours: By appointment & immediately after class
Office: SFEBB Room 7219

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Sessions	Days	Times	Location
15514	Tu	6:00 PM – 9:00 PM	SFEBB 3106
15516	TuTh	03:40 PM-05:00 PM	SFEBB 1180

In case you need to miss a class in your session, you are welcome to attend other sessions.

Course Description

Corporate finance is a way of thinking about economic problems that involve uncertainty over time. This course is designed to provide a framework for understanding how financiers (corporate managers, investment bankers) think, how they break down components of a financial problem, and how they make decisions as investors and corporations in the financial market.

By the end of the semester, you should be familiar with financial vocabulary, understand aspects of corporate financial theory, develop skills in financial computation, and appreciate the underlying financial mindset as well as incentives involved when solving problems of finance. You will learn how to determine risk, how to make decisions, and how to value an investment as a potential financial opportunity.

Prerequisites

FINAN 3040 OR FINAN 3041 OR BCOR 3020

Materials

Textbook (optional but highly recommended):

Fundamentals for Corporate Finance (thirteenth edition), by Ross, Westerfield and Jordan

(new or used; older or newer versions could work)

Financial Calculators (required):

You should bring your calculator to all classes and exams. You will be extremely disadvantaged if you do not have your calculator during exams. Calculators in cellphones or computers are not allowed during exams. You will be responsible for figuring out how to use the calculator yourself. Suggestion: Texas Instruments TI BA II Plus (\$20 on Amazon)

Course Overview

Through lecture, case analysis, worked samples, and by learning to apply appropriate mathematical and financial formulas and functions, upon successful completion of this course, you will be able to:

1. Describe basic types, goals, and implications of financial management and the role of the financial decision-maker.
2. Interpret financial statements and how they influence long-term planning and growth.
3. Explain the meaning of time value of money and how to evaluate the tradeoff between dollars today and dollars sometime in the future.
4. Describe how firms decide to commit capital and its impact on cash flow (discounted cash flow).
5. Explain the different criteria used to evaluate proposed investments (e.g., net present value (NPV), profitability index, payback period).
6. Determine the cost of capital, and understand and apply the concepts of the weighted cost of capital (WACC).
7. Recognize and understand the elements of optimal capital structure, and the effects of financial leverage, bankruptcy, and the role of taxes on optimal capital structure.

Course Policies

Exam 1:	33.3%
Exam 2:	33.3%
Exam 3:	33.3%

In class participation:

You will be expected to come to class and reasonably participate in class discussions. I will not take attendance, but will make notes of excessive absences.

Personal computers and wireless Internet are a key part of today's technological culture, but they also can distract you from the class discussion and dampen participation. You may bring your laptops/iPads etc. to class for note-taking, but please refrain from browsing the internet, updating your Facebook profile, playing games, instant messaging, shopping, etc.

Homework:

There will be 5 assignments posted to Canvas during the course. They will not be graded. They are designed to provide practice material during the course. Answers to the homework will be posted online for students to evaluate their performance.

Exams:

All exams are closed book, closed notes, and are NOT cumulative. Financial calculators are allowed and recommended. You will be provided with a cheat sheet that contains any relevant equations.

Any re-grade requests must be submitted to me in writing within one school week of the distribution of correct answers. Any re-grading will encompass the entire exam.

Students are required to be present for all three exams. There may be legitimate reasons for missing an exam. If you provide documentation of serious medical problems or crime incidents for missing a midterm exam, the other exam scores will be re-weighted to accommodate the missing score. However, if you miss more than one exam, I will be unable to assign a complete grade to you.

Bonus:

Your feedback on the course is incredibly valuable to the university. In order to maintain the University's standard of academic excellence in the classroom, I invite you to provide suggestions on how to improve this course. If at least 90 percent of students in the course complete the online "SmartEvals!" course evaluation for this section by midnight of the last day of classes, I will allow you to drop your lowest exam scores. The remaining two exams will then be worth 45 points each.

More notes:

Grades will be assigned based on a curve modified for the overall performance of the entire class. According to the class average GPA guidelines for the David Eccles School of Business (at the end of the syllabus), it is expected that the average grade for this class will be somewhere between 3.1 and 3.5 (i.e., roughly B+). I will adjust the overall grade range up if I determine the class to be unusually good.

University Policies

1. ***The Americans with Disabilities Act.*** The University of Utah seeks to provide equal access to its programs, services, and activities for people with disabilities. If you will need accommodations in this class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, (801) 581-5020. CDS will work with you and the instructor to make arrangements for accommodations. All written information in this course can be made available in an alternative format with prior notification to the Center for Disability Services.
2. ***University Safety Statement.*** The University of Utah values the safety of all campus community members. To report suspicious activity or to request a courtesy escort, call campus police at 801-585-COPS (801-585-2677). You will receive important emergency alerts and safety messages regarding campus safety via text message. For more information regarding safety and to view available training resources, including helpful videos, visit safeu.utah.edu.
3. ***Addressing Sexual Misconduct.*** Title IX makes it clear that violence and harassment based on sex and gender (which includes sexual orientation and gender identity/expression) is a civil rights offense subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories such as race, national origin, color, religion, age, status as a person with a disability, veteran's status or genetic information. If you or someone you know has been harassed or assaulted,

you are encouraged to report it to the Title IX Coordinator in the Office of Equal Opportunity and Affirmative Action, 135 Park Building, 801-581-8365, or the Office of the Dean of Students, 270 Union Building, 801-581-7066. For support and confidential consultation, contact the Center for Student Wellness, 426 SSB, 801-581-7776. To report to the police, contact the Department of Public Safety, 801-585-2677(COPS).

4. **Academic Misconduct.** The Eccles School takes academic misconduct seriously. Here is an excerpt from our professional standards policy. “[P]rofessional or academic misconduct is not tolerated in the David Eccles School of Business. Students are expected to adhere to the standards of behavior outlined in the University of Utah Code of Student Rights and Responsibilities (Policy 6-400). Students engaging in behavioral misconduct could be subject to suspension or dismissal from the University.”

Tentative Course Outline (subject to change)

Session Info	Topic	Week
Session 1	Review: Introduction to Corporate Finance What does a financial manager do? Forms of Business Organization, Goal of Financial Mgmt, Agency Problem, Principal-Agent Problem, Incentives	1
Session 2	Financial Statements Balance Sheet, Income Statement, Average versus marginal tax rates, Operating Cash Flow, Change in Net Working Capital, Standardized Financial Statements, Sources and Uses of Cash, Ratio Analysis, Forecasting, the EFN Model	1
Session 3	Time Value of Money Future Value and Compounding, investing for a single period, compound growth, lump sum versus payments, Present Value and discounting, present versus future value, determining the discount rate, single period present value, lump sum versus payments	2
Session 4	Discounted Cash Flow Valuation Future and Present Values of multiple cash flows, Valuation of Annuities, Perpetual Bonds, Future value of Annuities, Annuities Due	2
Session 5	Discounted Cash Flow Valuation Effective Annual Rates, Calculating and comparing rates, EAR versus APR, Continuous Compounding, Loan Types, Amortization, Pure Discount Loans, Interest Only loans, Amortized Loans	3
Session 6	Interest Rates and Bond Valuation Bonds and valuation of bonds, Bond Features, Interest Rate Risk, Default and Credit Risk, Reinvestment rate risk, Bond Indenture, Debt or Equity? Long Term Debt, Government Bonds, Corporate Bonds, Mortgage Bonds, Floating Rate bonds, Zero Coupon Bonds	3
Session 7	Review for Exam 1	4
Session 8	Exam 1	4

Session 9	Interest Rates and Bond Valuation Bond Ratings, Moody's and Standard and Poor's, Investment Grade versus High Yield (Junk) Debt, Real versus nominal rates, Fisher Effect, Term Structure of Interest Rates – Yield Curve	5
Session 10	Stock Valuation Zero Growth, Constant Growth Model, Shareholder Rights, Common Stock versus Preferred Stock, Cumulative versus noncumulative, Dealers and Brokers, NYSE, NASDAQ	5
Session 11	Net Present Value and Other Investment Criteria NPV estimate, Payback Rule, Internal Rate of Return, Discounted Payback, Profitability Index, Capital Budgeting	6
Session 12	Net Present Value and Other Investment Criteria IRR versus NPV, Mutually Exclusive Projects, Nonconventional cash flows, NPV profile, Acceptance and rejection rules for each capital budgeting criteria	6
Session 13	Capital Market History Returns thru time for different asset classes, Historical record	7
Session 14	Capital Market History Variability of returns, average versus geometric, capital market efficiency	7
Fall Break		8
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Session 15	Review for Exam 1	9
Session 16	Exam 2	9
Session 17	Return, Risk, and Security Market Line Expected Returns and variances, portfolio weights and expected returns, unexpected returns	9
Session 18	Return, Risk, and Security Market Line Systematic and unsystematic risk, diversification	9
Session 19	Cost of Capital Cost of Capital, Cost of Equity, Cost of Debt, Cost of Preferred Stock	11
Session 20	Cost of Capital Weighted Average Cost of Capital, Divisional Cost of Capital, Project Cost of Capital	11
Session 21	Financial Leverage and Capital Structure Policy Capital Structure Question – Debt or Equity Financing? Effect of Financial	12

	leverage, Cost of equity or debt? M&M proposition I&II	
Session 22	Financial Leverage and Capital Structure Policy M&M proposition I and II with and without corporate taxes, Bankruptcy Costs, Optimal Capital Structure, Bankruptcy liquidation versus reorganization	12
Session 23	Dividends and Payout Policy Cash dividends, stock dividends, Low payouts versus high payout ratios, tax and legal benefits, dividend policy, stock repurchase plans, stock splits, reverse splits	13
Session 24	Dividends and Payout Policy Cash dividends, stock dividends, Low payouts versus high payout ratios, tax and legal benefits, dividend policy	13
Session 25	Selective Topic (will not be on exam)	14
Session 26	Selective Topic (will not be on exam)	15
Session 27	Review for Exam 3	16
Session 27	Exam 3	16