

Course Information

Location: CBA 4.344

Times: MW 12:30 – 2:00 (03395)

MW 2:00 – 3:30 (03405)

MW 3:30 – 5:00 (03415)

Prereq: 90 hrs., FIN 357, FIN 367, FIN 353*,
and 3 additional hrs. FIN/RE

TA: TBA

Instructor Information

Instructor: William J. Way

Office: GSB 5.176F

Office Hours: MW 5:00 – 6:00 p.m.
T 11:00 to 1:00 or by appt.

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I. Introduction

Integrative Finance enables you to apply what you have learned in previous finance courses to the solution of realistic business problems. You will employ the concepts and tools of finance to examine a wide range of business issues and explore potential solutions from the perspective of the chief financial officer of the firm. The goal of the course is to familiarize you with the process of analyzing problems, weighing alternative actions, and choosing the best possible solution(s) to enhance firm value. The course is designed to model the workplace and prepare you for a job as a financial professional. Much of the educational process takes place outside of the classroom and you are largely responsible for your own learning.

II. Goals

The primary goal of the course is to enhance your analytical and problem-solving abilities. Through a combination of case analyses, readings, lectures, class discussions, and group presentations, students should: (a) improve their speaking and business writing skills, (b) gain exposure to issues frequently encountered by business decision makers, (c) develop personal and professional skills valued by employers (e.g., time management, planning, collaboration, responsibility, and integrity), and d) discover that success in the workplace requires a combination of quantitative and qualitative skills.

III. Classroom Expectations

Active attendance, participation, and preparation are required, as most of our classroom activities are devoted to case discussions. Students are expected to attend every class, prepare every assignment, and participate in every class discussion. Specific information and study questions will be furnished for each assignment. If you are unfamiliar with the presentation topic, please review the textbooks from your previous finance courses and supplemental course materials.

IV. Course Materials (Required)

1. **Course Packet:** The assigned cases and readings are available at the University CO-OP
 - **Title:** FIN 370, W. Way & K. Wiles, Spring 2019 [ISBN: 9780840098436]
 - **Subtitle:** Integrative Finance, Volumes 1 and II (burnt orange cover)
 - The Midterm and Final cases will be available at a later date
2. Other material and readings posted on Canvas or available online

V. Grade Computation

10 Case Summaries (out of 17; excludes your group presentation) [Independent]	10%
1 Midterm Case (Staff Analysis & Case Exhibits) [Independent]	30%
1 Group Case Presentation and supporting documents	10%
1 Final Case (Staff Analysis & Case Exhibits) [Independent]	30%
Class Attendance/Participation/Preparation (A/P/P)	15%
Peer Evaluation	5%

Final letter grades will be assigned according to the following criteria:

A >93 A- 90-92.9 B+ 87-89.9 B 83-86.9 B- 80-82.9 C+ 77-79.9 C 73-76.9 C- 70-72.9, etc.

You will receive a numeric score for each assignment. Final grades will not be determined until the scores for all assignments are averaged, as indicated above. Final course grades may reflect the application of a small curve. The target GPA for the course is approximately 3.40. **All course grades are final, except in the instance of a recording error.**

Assignments that are submitted on a timely basis will be returned approximately two weeks after their submission. If you have a question about any grade assigned, you must submit the question in writing, within one week after the assignment is returned. Your inquiry should include your name, UT EID, section number, the title of the assignment, and a written explanation of why you think the grade is incorrect. **I retain the right to raise or lower grades after review.**

VI. Written Work (70% of course grade)

***This course carries the Writing Flag.** Writing Flag courses are designed to give students experience with writing in an academic discipline. In this class, you can expect to write regularly during the semester, complete substantial writing projects, and receive feedback from your instructor to help you improve your writing. You will also have the opportunity to revise one assignment and to read and discuss your peers' work.*

***This course also carries the Independent Inquiry Flag.** The purpose of the Independent Inquiry flag is to engage students in the process of inquiry over the course of a semester, providing them with the opportunity for independent investigation of a question, problem, or project related to their major. To that end, courses carrying this flag require students to complete projects and assignments involving independent investigation and presentation of their own work.*

Each student will submit multiple written assignments based on cases from the course packet. The two major independent case assignments (Midterm and Final) include a Staff Analysis (SA) and a set of prepared Case Exhibits (CE). Other case assignments include independently prepared Case Summaries for each case discussed in class.

A. Submission of Written Work – All formal case assignments (Midterm and Final) are due as indicated in the course schedule. Papers submitted after the due date/time will be penalized 5 points (out of 100) for each 24-hour period (or fraction thereof) beyond the deadline. **The late penalty will be allocated between the hard copy and electronic copy of your paper (3 points and 2 points, respectively).**

Formal cases (Midterm and Final) must be submitted in two ways:

- 1. A hard copy of your paper is due in the Finance Department office (CBA 6.222)**
 - A “baby blue” grade sheet, bearing an electronic time/date stamp to document timely submittal, is required when submitting papers. No other cover sheet is required.
 - Papers without a time/date stamp will automatically be deemed late.
 - **Papers will not be accepted after the assignment is reviewed in any FIN 370 class!**
- 2. An electronic copy of your paper must be uploaded to Canvas**
 - All electronically submitted assignments will be reviewed by Turnitin.
 - **Due dates/times and late penalties also apply to the electronic copy of your paper!**

B. Case Summaries – Students will prepare a Case Summary (one page, single-spaced) to evidence their case preparation. **Case Summaries are designed to motivate class discussion; hence, you must attend class to fulfill this requirement.** Absences due to illness/interview are no exception, so please plan accordingly. Students are responsible for completing 10 of the 17 Case Summary assignments. You cannot submit a Case Summary for the case that your group presents (see below). **Case summaries are due at the end of class and must be word-processed to evidence their preparation before class.**

C. Peer Review/Revision – Students will have the opportunity to revise and rewrite the Case Summary assignments if they are unhappy with their grade.

- ❖ **As this course has a writing flag, many assignments require that the work be entirely your own (i.e., Midterm Case, Final Case, and Case Summaries).**
- ❖ **Students may not work together on these assignments and the specific language, structure, and format of each student’s paper must be independent.**
- ❖ **Do not share your analyses, use the papers of any other FIN 370 student (current or former), or use unauthorized sources in preparing a written assignment!**

VII. Group Presentations (10% of course grade)

The class will be organized into 6 case groups of approximately 5 to 6 students each, depending on class size. Groups are formed at students’ discretion, on a first come, first served basis; however, I reserve the right to reassign students to ensure balanced group sizes.

A. Case Presentations – Each case group will be responsible for presenting one case during the semester. The goal of the presentation is to “teach” the case to your classmates and engage them in a discussion of the relevant qualitative and quantitative issues. Case presentations should last approximately **60** minutes and will be followed by a critique/feedback session. **All presentation grades are individual; hence, everyone in the group should participate equally in the presentation.**

- Case presentations should be supported by PowerPoint slides, Excel spreadsheets, and/or handouts. **Copies of this material must be presented to the instructor before the presentation begins. Late submission of presentation materials will be penalized.**
- **Group members are strongly urged to visit with the professor during office hours to check numbers, discuss case methodology, and ensure that the “teaching” goal is accomplished. Incorrect numbers and faulty methodology will be penalized.**

VIII. Class Attendance/Participation/Preparation (A/P/P) (15% of course grade)

The success of this course depends on the active participation of the audience. To this end, a significant portion of the course grade is devoted to qualities such as preparation, timeliness, attentiveness, responsiveness, and professionalism.

Your A/P/P grade is determined by your faithful and punctual attendance, preparation for class assignments, the quantity/quality of your contributions to class discussions, and your professional comportment during class. **Each student is expected to attend the class section for which they are registered, participate in every class discussion, and display their name card at all times.**

- You are allowed the equivalent of two absences for any reason.
 - **In combination, instances of tardiness, leaving early, and/or non-participation are the equivalent of an absence (see grade calculation, below).**
 - If you have more than two unexcused absences (or the equivalent), each additional infraction will reduce your A/P/P grade.
- Two additional absences for interviewing may be completely excused. Interview absences exceeding this number will be excused for attendance, but not for participation.
 - You must provide interview documentation **within two weeks** of your absence.
 - Examples of this documentation include an interview schedule, plane ticket, etc.
- Absences due to illness or emergencies may be excused with timely and appropriate documentation, as determined by the instructor. Documentation must be provided **within two weeks** of your absence.
- **An excused absence does not excuse any assignment that is due on that day.**

A/P/P Grade Calculation

- Attendance, including instances of tardiness and leaving early, is recorded for each class session beginning the second week of class.
- Participation credit is awarded to:
 - Members of the group who make a case presentation
 - Audience members who make a constructive contribution to the class discussion
- Each student begins with a total of **108** points. The eight additional points offset unexcused/undocumented absences or instances of tardiness/leaving early, non-participation, etc., in any combination. Points are deducted for each infraction as follows:
 - Unexcused absence = **-4 points**
 - Tardiness/leaving early = **-1 point**
 - Attended class, but did not participate = **-2 points**
 - Excess excused absences for interviewing (> 2) = **-2 points**
 - Excess unexcused absences (> 4) = **-8 points**
 - Excess tardiness/leaving early (> 4) = **-2 points**
- Your final Attendance/Participation/Preparation grade equals the total score derived using these values (**Maximum A/P/P Score = 100**).
- **Use your A/P/P points wisely . . . There is no opportunity to restore lost points.**

IX. Peer Evaluation (5% of course grade)

At the end of the semester, I will ask each member of the class to evaluate the contribution of other class members to the quality of the class discussion throughout the semester. This portion of the grade is based on your classmates' perception of the quality and quantity of your class participation and preparation. Quality is the far more important of the two dimensions, and while each comment will be judged on its merits, worrying about each comment is counterproductive. Your contribution to moving the class forward during the semester is the most important element of this grade.

X. Other Grading Criteria

The primary basis for grading written assignments is content; however, professionalism in presentation is also given substantial weight. The writing skills component of the analysis considers formatting, spelling, grammar, punctuation, appropriateness, clarity, and thought. The following book is recommended for aiding in the preparation of written work: Strunk, William, Jr. and E.B. White, "The Elements of Style."

Anyone who needs additional assistance in mastering basic writing skills can receive help through the Undergraduate Writing Center in the Flawn Academic Center, Room 211, or by calling 471-6222. The website for the Writing Center is <http://www.uwc.fac.utexas.edu/>

Specific instructions for preparing Staff Analysis writing assignments (Midterm and Final Cases) are available in the course document entitled, "Guidelines for Writing Case Analyses," which is available on Canvas.

XI. Academic Integrity

Policy on Scholastic Dishonesty: *The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement on Scholastic Dishonesty at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.*

- ❖ **Unless specifically indicated otherwise, all writing assignments must be individually prepared by the student to avoid scholastic dishonesty. If you have any questions regarding this policy, please ask the instructor.**
- ❖ **Instances of scholastic dishonesty will be referred to the Dean of Students and may result in significant grade penalties.**

XII. Additional Policies

A. Students with Disabilities – *Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>.*

B. Access to Canvas – All students must have access to the Canvas web site for this course. I will use this venue to post class notes, assignments, announcements, and grades. I will also use the E-mail feature of Canvas to correspond with you. Check the site (and your E-mail) regularly to ensure that you have the most current information. Please note the following:

Web-based, password-protected class sites will be available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: <http://www.utexas.edu/student/registrar/catalogs/gi02-03/app/appc09.html>

C. Computers and Electronic Devices – In accordance with Department of Finance policy, the use of laptop and tablet computers is prohibited, except for making class presentations. All electronic devices (cell phones, MP3s, etc.) should be stowed away during the class session. **Violation of these policies, including texting and web surfing during class, will reduce your A/P/P grade.**

D. Religious Holy Days – By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

E. Campus Safety – Please note the following recommendations regarding emergency evacuation, provided by the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>

XIII. Additional Comments

The requirements and recommendations for succeeding in this course are outlined in this syllabus. Since no extra-credit is available, I encourage you to follow these policies and utilize office hours to maximize your understanding of the assignments and their specific requirements. These policies provide the basic guidelines and code of conduct for this course. They are designed to reduce confusion and establish an equitable framework for the entire class. As a matter of principle, I will enforce these policies fairly and religiously.

The “spirit” of the course is just as important as the “rules and regulations.” My goal is to create a cooperative classroom environment in which we learn from each other. To that end, I welcome your constructive comments and suggestions as we progress through the course. Your feedback is an important element of course delivery and development.

Barring an emergency, I will be available during office hours and at additional times. I encourage you to visit with me regarding the class assignments, concerns with the course, or just to say “hello.” I am also accessible via telephone or E-mail. I will make every effort to return your call or respond to your E-mail within one business day of its receipt.

Class Schedule/Readings

Introduction

W - Jan 23 Lecture 1 – Course Introduction

Assignment: Review course syllabus and materials on course Canvas site

Managing Short Term Assets and Liabilities

M - Jan 28 Lecture 2 – Working Capital Management

Reading Assignment: Chapter 18, Short-Term Finance and Planning, Ross, Stephen A., Randolph W. Westerfield, Jeffrey F. Jaffe, and Bradford D. Jordan, Corporate Finance: Core Principles and Application, 5th ed., New York, NY, McGraw Hill, 2018.

W - Jan 30 Case 1: Jackson Automotive Systems [cash budgeting]

M - Feb 4 Case 2: Jones Electrical Distribution [working capital]

W - Feb 6 Lecture 3 – Financial Forecasting

Reading Assignment: Chapter 19, Financial Planning and Managing Growth, Parrino, Robert, Thomas W. Bates, Stuart L. Gillan, and David S. Kidwell, Fundamentals of Corporate Finance, 4th ed., Hoboken, NJ, John Wiley & Sons, 2018.

M - Feb 11 Case 3: Tire City, Inc. [forecasting and external funds needed]

Financial Policies

W - Feb 13 Lecture 4 – Financial Policies: Capital Structure and Payout

Reading Assignment: Chapter 18, How Much Should a Corporation Borrow?, Brealey, Richard A., Stewart C. Myers, and Franklin Allen, Principles of Corporate Finance, 12th ed., New York, NY, McGraw Hill, 2016.

M - Feb 18 Case 4: Hill Country Snack Foods Co. [debt/equity choice]

W - Feb 20 Case 5: J. C. Penny Company [capital structure choice]

M - Feb 25 Case 6: Rockboro Machine Tools Corporation [payout policy]

Reading Assignment: Chapter 17, Dividends, Stock Repurchases, and Payout Policy, Parrino, Robert, Thomas W. Bates, Stuart L. Gillan, and David S. Kidwell, Fundamentals of Corporate Finance, 4th ed., Hoboken, NJ, John Wiley & Sons, 2018.

W - Feb 27 Case 7: Nat'l Railroad Passenger Corporation ("Amtrak") Acela Financing [lease vs. buy]

Reading Assignment: Appendix to Chapter 16, Leasing, Parrino, Robert, Thomas W. Bates, Stuart L. Gillan, and David S. Kidwell, Fundamentals of Corporate Finance, 4th ed., Hoboken, NJ, John Wiley & Sons, 2018.

Risk Management

M - Mar 4 Lecture 5 – Risk Management

Reading Assignment: Derivatives Overview, Richard Heckinger and David Mengle, Understanding Derivatives: Markets and Infrastructure, Federal Reserve Bank of Chicago, 2013.

W - Mar 6 Case 8: Hedging at Porsche [risk management]

❖ **The Midterm case will be distributed during class on Wednesday, March 6.**

Class Schedule/Readings (continued)

Capital Budgeting

- M - Mar 11** Case 9: Valuing Capital Investment Projects [capital budgeting exercise]
- W - Mar 13** **Case 10: The Midterm case is due before 3:00 p.m. today in the Department of Finance office (CBA 6.222) and on Canvas (There will be no class today.)**
- M - Mar 18** **No class on this day** (spring break)
- W - Mar 20** **No class on this day** (spring break)
- M - Mar 25** Case 10: In-Class Discussion of Midterm Case
- W - Mar 27** Case 11: Coke vs. Pepsi, 2001 [cost of capital and EVA] (**Presented by Group 1**)
- M - Apr 1** Case 12: New Heritage Doll Co. [capital budgeting – expansion] (**Presented by Group 2**)

Valuation

- W - Apr 3** Lecture 6 – Valuation
Reading Assignment: Choosing the Right Valuation Approach, Robert Parrino, CFA Institute Conference Proceedings, 2005.
- M - Apr 8** Case 13: Buck Auto Care Products [valuing a private company] (**Presented by Group 3**)
- W - Apr 10** Case 14: Valuing Snap (A) [valuing a newly public company] (**Presented by Group 4**)

Mergers and Acquisitions & Corporate Restructuring

- M - Apr 15** Lecture 7 – Corporate Restructuring and Reorganization
Reading Assignment: Corporate Restructuring and Reorganization, James K. Seward, Chapter E8, in Warren Gorham & Lamont Handbook of Modern Finance, edited by Dennis Logue and James Seward (2000).
- W - Apr 17** Case 15: Canadian Pacific Ltd: Unlocking Shareholder Value in a Conglomerate [restructuring/reorganization] (**Presented by Group 5**)
- M - Apr 22** Case 16: Buffett's Bid for Media General's Newspapers [acquisition] (**Presented by Group 6**)
❖ The Final case will be distributed during class on Monday, April 22.
- W - Apr 24** Case 17: IBP
- M - Apr 29** Case 18: Transportation Displays, Inc. (C) [harvest strategies]
- W - May 1** **Case 19: The Final case is due before 3:00 p.m. today in the Department of Finance office and on Canvas (There will be no class today.)**
- M - May 6** Case 19: In-Class Discussion of Final Case

Course Review and Wrap-Up

- W - May 8** Lecture 8 – Course Wrap Up.