THE OHIO STATE UNIVERSITY
Fisher College of Business
Department of Finance

COURSE SYLLABUS

Business Finance 7210
CORPORATE FINANCE I

Autumn Semester (Term I) 2016

SECTION 0010: Tuesday & Thursday, 2:45 – 4:15PM, GERLACH HALL 355

Instructor Information

Prof. George Pinteris
Office: 306 Fisher Hall
Office Hours: see section below
Office Phone: 614-292-4334
E-mail: pinteris_1@fisher.osu.edu

Course Description

This course is the first in a sequence of electives in Corporate Finance. The course builds upon the material covered in Finance I & II. Following up on these courses, you will have the opportunity to practice familiar concepts and techniques through the use of cases. Moreover, Corporate I will also cover Valuation Analysis. We will review standard valuation methodologies and show applications in the areas of firm and equity valuation.

An overarching theme of the course is capital allocation. This central decision confronting senior executives about how to allocate the cash their company generates has significant implications for shareholder value.

More specifically, to make the connection between corporate decisions and shareholder value, we begin with a presentation of two valuation methodologies widely used by investors, Discounted Cash Flow and Relative Valuation, to establish the principle that managers should think as investors. In the second half of the course, we focus on the firm’s capital structure and payout decisions. After a brief review of key conceptual issues, we consider how financial managers confront these decisions in a real-life setting through the use of cases.

The course is particularly useful to students interested in a corporate finance career within a public or private company, in a career in investment banking, or in corporate consulting. It is also beneficial to non-finance majors who would like to develop a deeper understanding of how business decisions impact shareholder value.
**Pedagogy**

Course material will be delivered through a mixture of lectures, case discussions, and in-class practice problems. I intend to deliver an applied oriented course based on a solid understanding of the underlying principles of corporate finance. Case discussions will enable you to practice your understanding of the covered topics in a real-life setting. Occasionally, I will supplement your readings with articles from practitioner oriented academic journals and the business press. My goal is to enhance your knowledge of how financial managers and analysts view the key financial decisions faced by public and private firms.

**Course Prerequisites**

I assume that you have working knowledge of the material covered in BUSFIN 6210 & 6211. This includes the time value of money, portfolio theory, risk and expected return, the CAPM, market efficiency, estimating cost of capital, capital budgeting using NPV and IRR, financial leverage and stock returns, the capital structure decision, and the payout decision.

**Textbooks and Course Materials**

I have assigned two required textbooks and five cases for class discussion. The first text is the one you used in Finance I & II. Furthermore, I list below a few other useful texts for your reference. Please **NOTE** that these other textbooks are **NOT** assigned as recommended for this course.

The required textbooks are:


Lecture notes, problem sets, case discussion questions, as well as supplemental readings and handouts will be posted on the course web page. The course web page is available through Carmen, the university’s course management system ([http://carmen.osu.edu](http://carmen.osu.edu)). Materials will be posted on Carmen no later than two days prior to the scheduled class.

I **strongly recommend** that you check the course web page regularly. Under “Classlist” you can see the students in the course.

Other useful texts are:

• *Behavioral Corporate Finance: Decisions that Create Value*, by Hersh Shefrin, McGraw-Hill, 2007
• “The Outsiders: Eight Unconventional CEOs and their Radically Rational Blueprint for Success” by William Thorndike
• “Value: The Four Cornerstones of Corporate Finance” by McKinsey & Co.

**Case Discussions**

To enhance your understanding of course material, we will discuss several cases in class. Cases present real-world, complex problems faced by financial managers that require analysis and use of judgment to reach important business decisions. Many MBA courses use cases extensively.

The use of case studies is a very effective learning method because it emphasizes student self-learning rather than a passive absorption of knowledge. Students learn to develop their critical thinking and use their judgment to make decisions. Cases do not always lead to the “right” or “one” course of action for the decision maker. Rather, decisions are justified based upon sound financial assumptions and a thorough analysis of the situation at hand. Therefore, the analysis and discussion of cases is very useful because it teaches students how to use the principles of finance to define and analyze problems, work as a member of a team, and make recommendations for the best course of action.

You are expected to purchase the following cases – from Darden Business School or Harvard Business School – through study.net

• *American Greetings*
• *Structuring Corporate Financial Policy*
• *Stone Container Corporation (A)*
• *Autozone, Inc.*

Each team is **expected to submit (ONLY FOR ONE CASE ACCORDING TO COURSE SCHEDULE) a CASE ASSIGNMENT on the day of the case discussion.**

Case assignments should be of **MAXIMUM 2 PAGES** and include the following: a) statement of main issue(s) in the case; b) financial analysis of main issues following the assigned questions on the case; c) recommendations to upper management. You MUST use 12-point font, double-spaced paragraphs, and default Microsoft Word margins. There is no limit on the number of attached exhibits.
PLEASE NOTE THAT ACCORDING TO STANDARD PRACTICE THE INSTRUCTOR IS NOT ALLOWED TO DISCUSS THE CASE WITH ANY STUDENT BEFORE THE SCHEDULED CLASS DISCUSSION.

Teamwork

A major aspect of any graduate business program is to provide students opportunities to develop leadership, teamwork, and presentation skills. These so-called soft skills are crucial for an effective job search and a successful career in the financial world. You are expected to form teams of 4-5 students. All team members should be registered in the same section. I strongly encourage, but do not require, you to form diverse teams in terms of educational and professional background, gender, ethnicity, race, etc. Team diversity will substantially improve your discussions and learning outside the classroom.

PLEASE SEND ME THE LIST OF YOUR TEAM'S MEMBERS VIA E-MAIL BY TUESDAY, AUGUST 30. PLEASE COPY ALL MEMBERS ON THE E-MAIL.

Case assignments and the two problem sets will be team projects. Each team member is responsible for his/her performance. I strongly advise you to read the suggestions for effective team performance provided in the end of the syllabus.

Each student will be asked toward the end of the course to evaluate the performance of his/her teammates. A student’s performance evaluation by his/her peers will be taken into consideration for the final grade. You should be fair and honest in your evaluation of your peers’ performance. Each team member should exhibit enough effort throughout the course. This will be your ONLY opportunity to evaluate your teammates. A team that fails to submit evaluations from all team members will receive ZERO POINTS on the case brief portion of the course grade.

Grading Procedures and Policies

• **Course Grade:** The course grade will be based on two problem sets, one team case assignment, an in-class midterm and a take-home final examination. The midterm examination will be closed book, closed notes. However, a formula sheet will be provided and you will also be allowed to use a business calculator. Exam questions will involve problems very similar to the ones presented in class and assigned in the problem sets.

  The final grade composition is as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Problem sets</td>
<td>20%</td>
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<tr>
<td>Midterm examination</td>
<td>25%</td>
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<tr>
<td>Case assignment</td>
<td>25%</td>
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<tr>
<td>Final examination</td>
<td>30%</td>
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  As required by school policy, grading will be based on relative rather than absolute standards. The average grade in this course will be a 3.6 or lower.
• **Midterm Examination**: The midterm examination is scheduled for **Tuesday, September 13**. The examination will take place during regular class time and will cover material presented until, and including, Thursday, September 8. There will be **no conflict examination**.

• **Final Examination**: The final examination will be a take-home case analysis. It will be an individual exam. The case will be distributed after the end of the last class and your report will be due during the exam period (October 6-10). The structure and formatting of this case analysis will be the same as those for the case assignment, but you will be allowed to use more pages of text. Details will follow as we near the end of the term.

• **Assignments**: Two problem sets and one case brief will be submitted in teams. Case assignment questions will be posted on the course’s Carmen site well in advance of the scheduled case discussion date. Due dates for the problem sets and the case brief are listed under course schedule on the last page of the syllabus.

It is vitally important that you work on both the problem sets and the case assignment if you want to master the material covered in the course. **Your ability to work on the problem sets and any in-class examples is a key indicator of how prepared you are for the midterm exam.** Most exam questions will be adapted from the problem sets and in-class practice examples. **Solutions to the problem sets will be posted on the course web site.** The case assignments will be good practice for the final case exam.

The case brief will be collected at the **beginning** of class on the due date. If you or any of your teammates cannot attend class on that day, please drop your assignment in my mailbox in 700 Fisher Hall **before** the beginning of class to receive any credit. **NOTE THAT THE OFFICE CLOSES AT 5:00PM. No late assignments will be accepted for any reason.**

• **Office Hours**: I will have office hours on Tuesdays, 4:30-5:30pm or by appointment. These hours are especially for the benefit of students in this course. I also encourage you to schedule an appointment to meet with me with any comments or suggestions you may have about the course. I prefer NOT to discuss material-related questions through the phone. The best way to address your questions is to discuss them with me in person either during my office hours or by appointment.

**Academic Integrity**

From the Fisher College statement on your obligation to maintain academic integrity:

“As a member of the Fisher College of Business community, I am personally committed to the highest standards of ethical behavior. Honesty and integrity are the foundation from which I will measure my actions. I will hold myself accountable to adhere to these standards. As a
leader in the community and business environment, I will pledge to live by these principles and celebrate those who share these beliefs.”

Students are responsible for knowing and abiding by these standards.

**Academic Misconduct**

Cheating is grounds for failing this course and additional sanctions. In accordance with faculty rule 3335-5-487, all instances of alleged academic misconduct will be reported to the university Committee on Academic Misconduct. If the committee concludes that a violation has occurred, it recommends appropriate sanctions to the Office of Academic Affairs. As stated in the university’s Code of Student Conduct ([http://studentaffairs.osu.edu/resources/](http://studentaffairs.osu.edu/resources/)), students have an obligation to report academic misconduct. Such misconduct can be reported to the appropriate faculty member or program dean; confidentiality is protected.

Permitted collaboration for this course is as follows:

- Midterm & Final Exam – *No collaboration*
- Problem Sets & Case Brief – Collaboration with *teammates only*

**Disability Accommodation**

To ensure that disability-related concerns are properly addressed from the beginning, students with disabilities who require reasonable accommodations to participate in this class are asked to contact the Office of Disability Services (150 Pomerene Hall, 292-3307). Please also inform me of any arrangements you are making with ODS.

**Suggestions for Effective Team Performance**

The following suggestions (taken from Robert Bruner’s cases textbook) are necessary, but not sufficient, conditions for effective team performance. A *major factor* in a team’s success is each member’s effort and dedication to the success of the team. It is crucial that you develop a good working relationship with your teammates. Each member should hold every other member accountable for their contribution to the team’s performance.

- Members commit to the success of the team.
- The team plans ahead, leaving time for contingencies.
- The team meets regularly.
- Members show up for meetings and are *prepared* to contribute.
- There may or may not be a formal leader, but role assignments within the team are clear. Team members meet their assigned obligations.
### COURSE SCHEDULE

(Assigned readings are from the required textbook by Berk and DeMarzo (BD), 3rd edition and Titman and Martin, 2nd edition (TM). Please check with me if you have any questions.)

<table>
<thead>
<tr>
<th>DATE</th>
<th>CLASS TOPIC</th>
<th>ASSIGNED READINGS</th>
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<tbody>
<tr>
<td>August 23</td>
<td>Course Introduction</td>
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<td>August 25</td>
<td>Introduction to Valuation Analysis</td>
<td>Lecture Notes, TM, Ch. 1, 4, 5</td>
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<td>August 30</td>
<td>Discounted Cash Flow Valuation</td>
<td>Lecture Notes, TM, Ch. 6, 9</td>
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<td><strong>LAST DAY TO NOTIFY ME OF YOUR TEAM’S COMPOSITION</strong></td>
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<td>September 1</td>
<td>Relative Valuation</td>
<td>Lecture Notes, TM, Ch. 8</td>
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<td><strong>Problem Set 1 Due</strong></td>
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<td>September 6</td>
<td><strong>Case Discussion:</strong> American Greetings</td>
<td>Assigned Questions</td>
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<td>September 8</td>
<td>Midterm Review</td>
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<td><strong>Problem Set 2 Due</strong></td>
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<td>September 13</td>
<td>Midterm Examination</td>
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<td>September 15</td>
<td>Corporate Financing Options</td>
<td>Lecture Notes, BD, Ch. 23, 24</td>
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<td>September 20</td>
<td>Overview of Capital Structure Decision</td>
<td>Lecture Notes, BD, Ch. 14, 15</td>
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<td>September 22</td>
<td>Case Discussion: Structuring Corporate Financial Policy</td>
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<td>September 27</td>
<td>Case Discussion: Stone Container Corporation (A) (CASE BRIEF)</td>
<td>Assigned Questions</td>
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<td>September 29</td>
<td>Overview of the Firm’s Payout Decision</td>
<td>Lecture Notes, BD, Ch. 17</td>
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<td>October 4</td>
<td>Guest Speaker: Mr. Larry Hilsheimer</td>
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<td>Executive Vice President and Chief Financial Officer</td>
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<td>October 6</td>
<td>Case Discussion: Autozone, Inc.</td>
<td>Assigned Questions</td>
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<tr>
<td>October 6-10</td>
<td>Final Take-Home Examination</td>
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