



6211 - Finance I Course Syllabus

Section # 29450
Autumn 2018 (AU18)

Location: 375 Gerlach Hall

Meets: 10:15 AM to 11:45 AM on Tuesdays and Thursdays

Instructor: Kennia Papadakis, Senior Lecturer in Finance

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Office: 234 Fisher Hall

Office hours: Tuesdays and Thursdays, 9 AM – 10 AM (or by appointment)

Course Description and Scope

Corporate Finance is a core area of finance that studies financial decisions made within firms of any type, start-up or large cap, private or public, domestic and multinational. Each firm is faced with three key financial decisions:

1. **Capital Budgeting (investment)** – identifying the set of investment projects to pursue
2. **Capital Structure (financing)** – selecting an optimal financing mix to fund the projects that the firm will pursue
3. **Payout (dividend)** – deciding how much of the free cash flow will be returned to its shareholders, as well as the form of this payout

6211 is the first of a two-course sequence of electives in Finance for students in the MACC program. Through these courses, MACC students will develop a good understanding of standard methodologies used in financial analysis **with particular emphasis on how corporate financial managers make capital budgeting decisions.**

FIN 6211 will focus primarily on capital budgeting and to an extent, to capital structure, covering a set of fundamental techniques for financial analysis. We will examine the relevant topics with a combination of lectures, articles, and case study discussions to illustrate key theories and their application in real live corporate issues.

Course topics include: project analysis, cost of capital (WACC), Discounted Cash Flows (DCF), debt and equity financing. In addition, some time will be dedicated to review payout policy as part of the capital structure discussions.

Pre-work

Students enrolled in this course must possess a basic understand of time value of money, interest rates and the Net Present Value rule. If needed, please take some time to review the recommended reading material available online on Canvas **BEFORE** the semester begins August 21, 2018. To reach this content go to the class *Canvas>Modules>Fundamentals*.



Similar content may also be found in the reference textbook: Fundamentals of Corporate Finance, 3rd edition, Berk | DeMarzo | Harford. Please refer to the following chapters as you see fit:

- Chapter 3 – Time Value of Money: An Introduction
- Chapter 4 – Time Value of Money: Valuing Cash Flow Streams
- Chapter 5 – Interest Rates

Course Material

There is no required textbook for this class, but two reference textbooks:

- 1) **Fundamentals of Corporate Finance**, by Berk, DeMarzo and Harford, 3RD edition, Pearson Series in Finance, 2013 (earlier editions are also acceptable. There is also a 4th edition just released and - if used for another course - also acceptable)
- 2) **Damodaran on Valuation**, second edition. By Aswath Damodaran, Wiley Finance

There is a **Required Course pack** available via Harvard Business Publishing (HBP) (<https://cb.hbsp.harvard.edu>). Students must to set up an account with HBP in order to obtain the course packet, which contains articles, technical notes and case studies that will be used through the semester. **It is strongly recommended that students purchase the course pack prior to the first day of class.**

The following material is included in the course pack:

Count	Articles / Background or Technical Note	Item #
1	Note: Introduction to Accumulated Value, NPV and IRR	173003
2	Article: A Refresher on Cost of Capital	H02110
3	Article: Do you know your cost of capital?	R1207L
4	Note: Capital Structure Theory – A Current Perspective	UV0105
5	Note: Capital Structure and Value	UV3929
6	HBR Article: What’s It Worth? A General Manager’s guide to Valuation	97305

Count	Cases	Item #
1	Problems set: Valuing Capital investment Projects	298092
2	Case 1: Victoria Chemicals PLC (A): The Merseyside Project	UV1192
3	Case 2: The New Heritage Doll Company	4212
4	Case 3: Nike Inc.: Cost of Capital	UV0010
5	Case 4: Winfield Refuse Management, Inc.	913530
6	Case 5: JetBlue IPO	UV2512
7	Case 6: Expansion at Hansson Private Label	4021
8	Case 7: Target Corporation	UV1057



Students must use the following unique link to purchase the above course pack:

<https://hbsp.harvard.edu/import/551848>

Each and every student in the class is required to purchase a case course pack. You have the option to purchase electronic files or printed copies. Whichever option you chose, **the cost to the students is \$59.50⁽¹⁾**. Notice that most cases will have supplemental spreadsheets containing case exhibits that students can use to prepare any financial analysis; these are at no extra cost. Other – newer cases will offer an alternative audio version for additional \$1/case. Students are not required to purchase them, as these are optional.

Why Case Discussions?

We use the case method to enhance your understanding of course material. Cases present real-world, complex problems faced by financial managers and general managers that require analysis and use of judgment to reach important business decisions. Cases are used extensively in most graduate business courses.

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. Case studies do not always lead to a right or one course of action for the decision maker. Rather, decisions are justified based on sound financial assumptions and through analysis of the situation at hand. Therefore, the analysis and discussion of cases is very useful because it teaches the students how to use the principles of finance to define and analyze problems, and make recommendations for the best course of action.

For each case study preparatory questions are included in the appendix of this syllabus. These questions are intended to help students dissect the case and prepare for class discussion. Preparatory questions may differ from homework assignment questions. Students are not required to write and submit any reports answering the preparatory questions. However, it is strongly recommended to use these questions as guide to prepare discussion notes to bring to class.

Please note that according to standard case discussion practice the instructor is not allowed to discuss the case with student's prior the scheduled class discussion.



Summary Class Calendar

	Date	Description	Readings & Assignments
Week 1	Tuesday, August 21	Introductions and syllabus overview	Syllabus - In class exercise: Disney's Frozen (Canvas) Problem Set – Valuing Capital Investment projects Article: an introduction to NPV, IRR
	Thursday, August 23	Introduction to Corporate Finance, project valuation refresh – single opportunity	Case 1: Victoria Chemicals PLC (A): The Merseyside Project (UV1192) (practice case)
Week 2	Tuesday, August 28	Project valuation – mutually exclusive opportunities	Case 2: The New Heritage Doll Company Homework 1 due on Tuesday, 8/28 by 10 AM via Canvas drop box
	Thursday, August 30		
Week 3	Tuesday, September 4	Cost of Capital	Case 3: Nike Cost of Capital Articles: <ul style="list-style-type: none"> • A Refresher on Cost of Capital (H02110) • Do you know your cost of capital? (R1207L)
	Thursday, September 6		
Week 4	Tuesday, September 11	Debt versus Equity Financing	Case 4: Winfield Refuse Management (913530) Articles: <ul style="list-style-type: none"> • Theory of Optimal Capital Structure (9279069) • Capital Structure Theory – A Current Perspective (UV0105)
	Thursday, September 13		
Week 5	Tuesday, September 18	Equity Financing – the Initial Public Offering (IPO)	Case 5: JetBlue (UV2512) Articles: <ul style="list-style-type: none"> • To Sink or Swim When Floating Stock (IIR076) • What's It Worth? A General Manager's guide to Valuation (97305)
	Thursday, September 20		
Week 6	Tuesday, September 25	Financing Growth	Case 6: Hansson Private Label: Evaluating an Investment in Expansion (4021) Homework 2 due on Tuesday, 9/205 by 10 AM via Canvas drop box
	Thursday, September 27		
Week 7	Tuesday, October 2	Capital Budgeting and Corporate Strategy	Case 7: Target Corporation (UV1057) Article: Target is slipping Bloomberg Business Week June 26, 2017 – Canvas Watch video https://www.cnbc.com/video/2017/02/28/target-ceo-were-confident-in-our-new-direction.html Headlines: video https://www.youtube.com/watch?v=CIM9_LmBRWQ
	Thursday, October 4		



Grading

Description	Points each	Total	Percentage
2 Homework assignments	50	100	40%
Final Case	100	100	40%
Class participation	50	50	20%
		250	100%

Homework 1 to 2

Each individual assignment gives students the opportunity to practice the concepts discussed during lecture while applying financial tools to real live issues. Assignments are mainly quantitative, all based on case studies discussed throughout the semester. Assignment guidelines are included in Appendix of this syllabus.

Final Case

The final case will be distributed to students on Monday, October 3rd electronically via Canvas email. On the final examination date (assigned by the university, TBD), students will be provided with questions related to the case and will have the entire class session - 90 minutes – to develop a 3-page document answering the questions provided. A Canvas drop box is set up for students to submit their answers to the final case questions. All students are required to be present for the final case assignment. Laptop is required.

No collaboration is allowed for either homework assignments or final case.

Class Participation

Students have the opportunity to accumulate up to 50 participation points. Points are awarded based on the quality of contribution during class discussion and recorded every week, using the following:

- 2 points: student simply states / quotes facts and figures from case studies
- 3 points: student uses facts and figures from case studies and links them to relevant issues discussed
- 5 points: student provides insights helping resolve the issues and questions from the case studies

→ Guidelines:

- Participation is recorded during **case study discussion dates, regardless of assignment dates. This means students have the opportunity to accumulate points every time a case study is discussed even if the case has not been designated as homework.**
- Maximum 5 points per session when case studies are discussed and maximum of 50 points per semester.
- Points are awarded at the instructor's discretion



- Cumulative participation scores are posted on Canvas every two weeks.

I understand not all students are used to participating during class and perhaps feel shy or uncomfortable doing so. At the time, I insist on grading class participation as a way to expose students to the realities of corporate culture in a controlled environment.

Financial analysis and decision-making require voicing ideas, issues and recommendations, and discussing those in cross-functional meetings, many times in the boardroom. I hope students see class participation as an opportunity to practice and acquire a skill, and not as a threat.

I encourage those who have issues with this part of the class structure to come see me during office hours so we can work together to ensure students take full advantage of class participation opportunities.

Sitting Chart and Name Cards

For the purposes of facilitating the monitoring of participation, students should select a spot in the classroom they wish to keep for the remaining of the semester and sit on that spot during every session. The use of name cards is highly encouraged.

Attendance

Attendance is recorded for every session, however it is not graded. Students are not penalized for missing sessions but could benefit from having perfect attendance. At the instructor's discretion, attendance record will be considered for those students whose final grade is close to the next letter grade (rounding up benefit).

Fairness in Grading

We will do everything we can to grade fairly according to the quality of work produced in student assignments. If you carefully review your assignment and become convinced that a particular grade should be reviewed, you may submit a written justification for the reevaluation of the assignment with two copies of all supporting materials. Your appeal will not be successful unless you provide an extensive and well-crafted argument detailing the request. If your request is justified, and if we determine that the points at stake are large enough that it could lead to a letter grade change we will review your assignment at the end of the semester. No re-grading will occur before the end of the semester (besides obvious administrative errors).

Disability Policy

Students with disabilities or requiring special accommodations must notify the section leader of such needs at the beginning of the quarter. You should work directly with The Ohio State University Office of Disability Services (ODS). ODS is expert at working with individual students to provide the appropriate assistance. Should you require special instruction for the course, please provide a written request from the ODS.

Academic Integrity



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Fisher Student Standards of Conduct

According to the Standards of Conduct of the Fisher College of Business, students are expected to:

- Represent themselves truthfully in all situations;
- Conduct themselves in a manner that does not seek to gain an unfair advantage over other members of the Fisher community;
- Demonstrate respect for all property that does not belong to them;
- Be personally accountable for one's own actions.

Students are expected to become acquainted with the Standards, to adhere to the letter and spirit of the Standards, and to take action when witnessing a breach of the Standards. In this course, a violation of these standards includes but is not necessarily limited to (it is your responsibility to seek clarification of any "gray" areas):

- Discussing, reviewing, or receiving notes/papers on any assignment or quiz with students who have taken the class previously (either in another section or in a prior year).
- Submitting papers that do not exclusively include individual or group work, respectively.
- Using any assignment in this course in fulfillment of an assignment in another course without prior written consent of both professors.



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END OF SYLLABUS

Changes to this syllabus are at the instructor discretion. All changes are communicated to students promptly after they are effective via email and/or Canvas announcement. Students are responsible for proactively follow up with Canvas announcements and encouraged to visit the class Canvas page at least once a day.