Department of Finance  
BUSFIN 6211 – Finance I  
Fall 2016 COURSE SYLABUS  
Section # 4203  
Tuesday & Thursday, 10:15 AM to 11:45 AM  
Gerlach Hall Room 305

Instructor:

Lecturer: Kennia Papadakis  
Email: papadakis.8@osu.edu  
Office phone:  
Office: 234 Fisher Hall  
Office Hours: Tuesdays & Thursdays 12:30 PM to 2 PM, or by appointment. I am open for appointments also on Friday mornings. Please send all requests via email adding the and section number as well as student (s) name and the topic(s) you wish to discuss.

Course Description & 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

This course 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 for financial analysis with particular emphasis on how corporate financial managers make decisions.

FIN 6211 will focus on capital budgeting, covering a set of fundamental techniques for financial analysis. We will examine the investment decision in detail applying in-classroom problems and the case method to illustrate key points and discuss their application.

Course topics include: time value of money, risk and return, estimation of a firm’s cost of capital (WACC), project analysis, investment decision rules and the Net Present Value (NPV), Discounted Cash Flows (DCF), stocks and bonds valuation.

Course Material

There are two reference textbooks for this class, one required and one optional:

1. **Fundamentals of Corporate Finance (required)**, 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 this fall semester is also acceptable)
2) **Damodaran on Valuation (optional)**, second edition. By Aswath Damodaran, Wiley Finance

There is a **Required Case Course pack** available via Harvard Business Publishing: https://cb.hbsp.harvard.edu

The following cases are included in the course pack. The case number corresponds to the sequence in the class calendar.

<table>
<thead>
<tr>
<th>Case #</th>
<th>Case</th>
<th>Item #</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Nike, Inc.: Cost of Capital</td>
<td>UV0010</td>
</tr>
<tr>
<td>2</td>
<td>Diamond Chemicals PLC (A): The Merseyside Project</td>
<td>UV2493</td>
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<tr>
<td>3</td>
<td>The New Heritage Doll Company</td>
<td>4212</td>
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<tr>
<td>4</td>
<td>Hansson Private Label: Evaluating an Investment in Expansion</td>
<td>4021</td>
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<tr>
<td>5</td>
<td>Target Corporation</td>
<td>UV1057</td>
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Students must use the following unique link to purchase the course pack:

https://cb.hbsp.harvard.edu/cbmp/access/51021452

**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 $21.25. You will notice that most cases will have supplemental spread sheets that you can use to build up financials; these are at no extra cost. Other – newer cases will offer an alternative audio version for additional $1/case. You are not required to purchase them, they are optional.

**Course Lecture Notes:**
On case day, lecture notes are a summary of the cases discussed during class, a wrap-up which highlights key take-away and application of learning objectives. These case lecture notes are posted on Carmen>Content after every session, by the end of the day. Otherwise, regular lecture notes can be found on Carmen the night before lecture (content subject to change at the instructor’s discretion).

**Grading**

The course grade will be based on the following items:

1. Two individual case analysis 80 (40 points each) – 40%
2. One final examination 80 – 40%
3. Attendance and participation during case discussion 40 – 20%
   200 points
Grading Detail

1. **Two Individual Case Analysis (assigned):** each student will be assigned two cases. Students are required to provide full case analysis answering all the case questions. In a two-page executive brief, students are required to summarize their analysis, findings and course of action. Along with the two-page brief, students must submit the respective excel work book to support any financial analysis executed to answer the case questions. All submissions are via drop and due before the class session when the case is first discussed (refer to class calendar for due dates). No late submissions are accepted, no excuses.

2. **One Final Examination: comprehensive.** The final exam will be a combination of problems (similar to practice problems done during class), and some questions related to key take-away points from lecture notes and cases. This is a multiple choice exam.

3. **Attendance & Class Participation:** class attendance will be taken at the beginning of each session and records will be kept on Carmen. At the end of the semester, each student's final attendance percentage over the total number of sessions is applied to the 20-point maximum score. In addition, on case discussion dates, a “class participation” sign-up sheet is available at the end of each class. **Students who actively participated during class discussion on a case discussion day are entitled to “sign-in” their name on the sheet. The sign-up sheet is an honor system! However, I will check the list and follow up if I see any name that I don't recognize as valid.**

**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 judgement 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 judgement 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.

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

**In-class problems and problems sets**

As you may notice in the class calendar below, in sessions 2 through 6 in-class problems are part of the schedule. These are sample problems and we will take time to work on them throughout the lecture or at the end of the period. In addition, problem sets are available on Carmen>Content. These problems sets are good for students to practice for the final outside of class time.
<table>
<thead>
<tr>
<th>Week</th>
<th>Class</th>
<th>Date</th>
<th>Lecture / Case</th>
<th>Topics</th>
<th>Reading Reference &amp; Assignments</th>
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<tbody>
<tr>
<td>2</td>
<td>TH 8/25</td>
<td>Time Value of Money (continues)</td>
<td>Valuing streams of cash flows. Interest Rates. Investment decision rules. In class problems.</td>
<td>FCF Chapters 4, 5 &amp; 8</td>
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<tr>
<td>4</td>
<td>TH 9/1</td>
<td>Fundamentals of Capital Budgeting</td>
<td>The process. Incremental earnings forecast. Introduction to Discounted Cash Flow model. In class problems.</td>
<td>FCF Chapters 9 &amp; 10 Damodaran Chapter 8 (optional)</td>
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<td>3</td>
<td>5</td>
<td>TU 9/6</td>
<td>Risk and Return</td>
<td>Risk and return in the capital markets. Systematic risk and equity risk premium. Capital Asset Pricing Model (CAPM). In-class problems.</td>
<td>FCF Chapters 11 &amp; 12</td>
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<td>6</td>
<td>TH 9/8</td>
<td>Estimating the Firm’s Cost of Capital</td>
<td>Overview of the Firm’s cost of capital and its drivers. Introduction to WACC. In-class problems.</td>
<td>FCF Chapter 13</td>
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<tr>
<td>4</td>
<td>7</td>
<td>TU 9/13</td>
<td>Estimating the Firm’s Cost of Capital (continues)</td>
<td>Continue above content and in class problems.</td>
<td>FCF Chapter 13</td>
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<tr>
<td>8</td>
<td>TH 9/15</td>
<td>Case 1: Nike</td>
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<tr>
<td>5</td>
<td>9</td>
<td>TU 9/20</td>
<td>Case 2: Diamond Chemicals (A): The Merseyside Project</td>
<td>Case discussion answering all case questions. Case questions are included at the end of this syllabus.</td>
<td>Individual Case Assignments: each student is assigned to submit two cases. Case assignments as well as rubrics are published on Carmen&gt;Content.</td>
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<td>10</td>
<td>TH 9/22</td>
<td>Case 3: New Heritage Doll</td>
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<td>6</td>
<td>11</td>
<td>TU 9/27</td>
<td>Case 4: Hansson Private Label</td>
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<td>12</td>
<td>TH 9/29</td>
<td>Case 5: Target Corporation</td>
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<tr>
<td>7</td>
<td>13</td>
<td>TU 10/4</td>
<td>Class wrap up</td>
<td>Cases wrap up session (and in class problems, time permitting)</td>
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<tr>
<td>14</td>
<td>TH 10/6</td>
<td>Final Exam</td>
<td>During class unless otherwise specified.</td>
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**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 me and your discussion 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**

**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 be 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.
Appendix: Case Preparatory Questions

Nike – Discussion Date: September 15

1. Do you agree with Joanna Cohen’s WACC Calculations? Why or why not?
2. If you do not agree with Joanna, calculate your own WACC for Nike and be prepared to justify your assumptions during class.
3. Calculate the cost of equity using the Capital Assets Pricing Model (CAPM), the Dividend Discount Model, and the Earnings Capitalization ratio. What are the advantages and disadvantages of each method?
4. What should Kimmi Ford recommend regarding an investment in Nike?

Diamond Chemicals - Discussion Date: September 20

1. What changes, if any, should Lucy Morris ask Frank Greystock to make in his discounted cash flow (DCF) analysis? Why? What should Morris be prepared to say to the Transportation Division, the Director of Sales, her Assistant Plant Manager, and the Analyst from the Treasury staff?
2. How attractive is the Merseyside project? By what criteria?
3. Should Morris continue to promote the project for funding?

New Heritage Doll Company - Discussion Date: September 22

1. Discuss the Toy Doll Industry and New Heritage’s position within.
2. Two projects are presented in the case, each with somewhat different means to improve growth and profitability of the branded goods category for New Heritage. Evaluate these two projects and provide a recommendation on which one to invest.
3. To succeed in the long run, New Heritage must have a solid strategy for Branded Goods. Do you believe these two projects may be the answer? Why or why not? What other alternatives could New Heritage explore?
   (Hint: these two projects are mutually exclusive. New Heritage can only pick one)

Hansson Private Label - Discussion Date: September 27

1. How would you describe Hansson Private Label (HPL) and its position within the private label personal care industry?
2. Using assumptions from Executive VP of Manufacturing, Robert Gates, estimate the project’s Free Cash Flows. Are Gate’s projections realistic? If not, what changes might you incorporate?
3. Using CFO Sheila Dowling’s projected WACC schedule, what discount rate would you choose? What flaws, if any, might be inherent in using the WACC as the discount rate?
4. Estimate the project’s NPV. Would you recommend that Tucker Hansson proceed with the investment?
Target Corporation - Discussion Date: September 29

1. Describe and critique Target’s capital-budgeting system. Give specific consideration to the role of the real state managers and the makeup of the CEC.

2. Which of the CPRs should Dough Scovanner accept? Be prepared to explain how each of the considerations that follow influence your decision:
   a. NPV and IRR
   b. Size of the project
   c. Cannibalization of other store’s sales
   d. Store sensitivities
   e. Variance to prototype
   f. Customer demographics
   g. Brand awareness impact

3. Why does Target use different hurdle rates for the store and the credit cards (9% and 4% respectively)?

4. As a member of the CEC, would you continue to approve CPRs if it meant Target would have to fund the requests with external funds, either debt or equity?