**Georgetown University**

***McDonough School of Business***

**FINC-212**

**ADVANCED FINANCIAL MANAGEMENT**

**Summer 2016 – Session 2**

### *FINC-212-20: Mondays, Tuesdays, Wednesdays, Thursdays; ICC Room 116*

###  *1:00pm–3:00pm; July 11 - August 11, 2016*

**Professor**: Lynn Doran, Ph.D.

**Office**: Room 540, Hariri Building

**E-mail**: Lynn.Doran@georgetown.edu

**Phone**: (202) 687-2688

**Office Hours:** Mondays & Wednesdays, 3:00pm – 4:00pm

Or immediately before class or by appointment

**Course Description:**

This course is a continuation and extension of the introduction to the fundamentals of corporate finance provided by the Business Financial Management course. The course is intended for undergraduate business students who are majoring in Finance. The course includes discussions of investment and financing decisions, valuation techniques, value additivity in the market for corporate control, and corporate risk management policies. Through a case study approach, students will develop skill in recognizing business problems in which financial theory is applicable and develop competencies in applying financial theory to corporate decision-making.

**Prerequisite:** FINC-211 Business Financial Management, or the equivalent.

**Textbook and Materials:**

Ross, Westerfield, and Jordan, *Fundamentals of Corporate Finance*, Eleventh edition, Irwin/McGraw-Hill, 2016. (Earlier editions are acceptable.)

*Course Materials (Readings & Cases)* – To be purchased

*Lecture Notes* – Distributed in class

A business calculator

**Course Requirements:**

Class attendance and participation are expected. Please arrive early for class to allow yourself time to get settled so we can begin class promptly. Also, please turn off cell phones and other electronic devices during class. Laptop computers are not needed during lectures and tend to distract both the user and other students in the class. As such, **my policy is that laptop computers should be closed during lectures**. Laptops may be used when discussing readings or cases.

You are expected to complete assigned readings before class and be prepared to discuss them in class. You are also expected to regularly read the business press, especially *The Wall Street Journal* or *Financial Times*. We will discuss current events in class as appropriate.

Announcements about the class and various course materials will be sent via email to the address you provide. Please check that email address regularly.

Your grade in the class will be based on your performance on written case assignments, four quizzes, a final exam, and class participation.

**Written case assignments**

During the semester, there will be a total of eight written case assignments that must be submitted. The assigned questions for a given case will be posted on Blackboard approximately one week before the case is due.

On two of these assignments, students will work individually. For these individual assignments, students are permitted to seek guidance from other students in understanding the concepts underlying the assignment. However, each student is to work **independently** in the actual preparation of the answers/spreadsheets to be submitted. **Sharing of spreadsheets is NOT permitted.**

There are six cases on which students will work in groups. Groups should consist of no more than three students. You may choose the members of your group, but the group members are to remain the same throughout the semester. Decide on a name for your group; names should be imaginative and appropriate for a consulting firm. A list of your group’s members and your group’s name are to be submitted during class on **July 13**. At the end of the semester, students will be asked to evaluate themselves and other members of their group in terms of effort, participation, and contribution in completing the group assignments. This evaluation will be used in determining class participation grades and final course grades.

For group cases, a single hard copy report, with the signature of each group member on the cover page, is to be submitted for each assignment. The cover page for the group cases will be posted on Blackboard. Discussion of cases across groups is permitted; however, each group must work **independently** in the actual preparation of the answers/spreadsheets to be submitted for grading. **Sharing of spreadsheets across groups is NOT permitted.** By signing your name on the group report, you attest that you have contributed to the preparation of the report and that your group has worked independently in the preparation of the written answers and spreadsheets being submitted. Each member of the group should keep a copy of the report to refer to while discussing the assignment in class.

Written assignments will be graded on a scale of 1-10, with 10 being “outstanding.” Numerical solutions, spreadsheets, content and clarity of essay answers, attention to detail, and overall professionalism will all be considered in determining grades on written assignments.

Due dates for all written assignments are specified on the course outline. Assignments may be turned in early, but will be penalized if turned in late. Assignments will be collected at the **beginning** of class on the day they are due. Emailed spreadsheets must be received by **12:45 p.m.** on the due date. Assignments turned in after that time will be assessed a 1-point (i.e., 10 percent) deduction for being late. At the discretion of the professor, assignments turned in after the class discussion of the assignment may **not be accepted**. Missing class is **not** an acceptable excuse for missing an assignment due date.

**Quizzes**

Four quizzes will be given during the semester. The lowest score will be dropped and the other three scores will be averaged. The dates of the quizzes are listed on the Course Outline. No make-up quizzes will be given. If a quiz is missed, a zero will be recorded and that will be the quiz grade that is dropped.

Quizzes will consist primarily of problems plus short essay answer and/or fill-in-the-blank questions. Quiz questions may be based on class discussions of current business topics as well as the regular lecture material. The quizzes are closed-book, but needed formulas will be provided.

**Final Exam**

The final exam will be held during the regular class time, **1:00pm-3:00 p.m. on Thursday, August 11**. It will **not** be possible to make up the final exam at a time other than the scheduled exam period.

The final exam is comprehensive. It may cover any topic discussed throughout the course. No formulas will be provided for the final exam. However, you are allowed one **single-sided** sheet of notes to help organize your thoughts for the final exam. This sheet of notes may contain formulas or anything else you wish.

**Class participation**

Students will be graded on overall participation throughout the course, including class attendance, speaking in class, and group participation. In terms of speaking in class, quality is as important as quantity!

There may be times when missing class is unavoidable, due to illness, interviews, etc. You will **not** be explicitly penalized for missing class, but it will be difficult to obtain a good grade for class participation if you rarely attend class. Also, coming to class late on a consistent basis and/or taking breaks during class will adversely affect your class participation grade. Please inform Professor Doran of any extenuating circumstances that may affect your class attendance or participation.

Participation will be graded on a scale of 1-10, with 10 being “outstanding.” In past semesters, only a few students in each class have received participation grades higher than 9. It is also common for students who rarely attend class to receive participation scores as low as 2 or 3.

At the end of the semester, students will be asked to evaluate their own class participation. You may want to keep a record of your participation and classes missed. This self-evaluation will be considered by Professor Doran in determining class participation grades.

**Finance Area Standard Grading Policy**

The average GPA for all students in FINC 212 taught by a given professor in any semester will not be higher than 3.4 and the percentage of grades in the A/A- range will not be above 50% when averaged over all sections of the course taught by that professor during that semester.

**Grading:**

Course requirements will be weighted as follows:

Individual Cases 10 percent of grade

Group Cases 25 percent of grade

Quizzes 30 percent of grade

Final Exam 25 percent of grade

Class Participation 10 percent of grade

Your grade in the class will be based on your overall percent average, in accordance with the Finance Area’s Standard Grading Policy. Based on past semesters, the following is a **rough guideline** as to how grades will be determined:

95-100% A 81-84% B- 68-70% D+

91-94% A- 78-80% C+ 65-67% D

88-90% B+ 75-77% C <65% F

85-87% B 71-74% C-

Failure to complete one or more requirements of the course will result in a grade of “F” (or “I” if the student officially requests and is approved for an incomplete grade).

**Academic Integrity:**

Students are expected to adhere to the highest standards of academic integrity. It is your responsibility to know the Honor Code and what constitutes a violation. Information about Georgetown’s Honor System can be obtained at gervaseprograms.georgetown.edu/honor.

You should re-familiarize yourself with the Honor Code by reviewing the Honor Council Document “What is Plagiarism?” (gervaseprograms.georgetown.edu/honor/system/53377.html).

Please be aware that professors are **obligated** to report any suspected violations of the Honor System to the Honor Council. The following notes concerning the Honor Code apply to this class:

1. Working together on practice problems and studying together for exams is acceptable and encouraged. Collaboration on the construction of your study sheet for the final exam is also acceptable although each student is encouraged to prepare his/her own study sheet.

2. Cheating on quizzes and exams (in whatever form) is expressly prohibited by the Code.

3. On group case assignments, collaboration among group members is required and discussion of cases across groups is also permitted. However, each group must work independently in the actual preparation of written answers and spreadsheets to be submitted for grading. Each group must begin with a blank spreadsheet or the provided template. Sharing of spreadsheets or written answers across groups is prohibited and is a violation of the Code.

4. On individual case assignments, students are permitted and encouraged to discuss the concepts underlying the case. However, each student must work independently in the actual preparation of written answers and spreadsheets to be submitted for grading. Each student must begin with a blank spreadsheet or provided template. Sharing of spreadsheets or written answers is prohibited and is a violation of the Code.

 **TENTATIVE COURSE OUTLINE**

|  |  |  |
| --- | --- | --- |
| **Date** | **Topics and** **Readings[[1]](#footnote-1)** | **Assignments[[2]](#footnote-2)** |
| M-July 11 | ***Introduction to Course******Time Value of Money*** RWJ - Chapters 1, 5, and 6***Capital Budgeting***  RWJ – Chapters 9 and 11  |  |
| T-July 12  | ***Capital Budgeting (continued)*** Read “Tremont & Company” case & Answer  questions on handout distributed in class***Cash Flow Analysis*** RWJ - Chapter 10 |  |
| W-July 13 |  ***Risk and Return***  RWJ – Chapters 12 and 13***Cost of Capital*** RWJ - Chapter 14 | **Group Names Due** |
| Th-July 14 | ***Cost of Capital (continued)******Capital Structure***  RWJ – Chapter 16 | **Case Due:**Tremont & Company (IA) |

|  |  |  |
| --- | --- | --- |
| M-July 18 | **QUIZ #1*****Capital Structure (continued)*** Read “JetBlue: Prepare for Financing” &  Answer questions on handout distributed  in class  |  |
| T-July 19 | ***Dividends*** Read “Dividend Policy at Linear Technology”  & Answer questions on handout  distributed in class RWJ - Chapter 17 | **Case Due:** Ameritrade (GA) |
| W-July 20 | ***Dividends (continued)******Valuation*** Read “Note on cash flow valuation methods: Comparison of WACC, FTE, CCF and  APV approaches”  RWJ - Chapter 8 |  |
| Th-July 21 | ***Valuation*** (continued) Read “Corporate valuation and market multiples”  | **Case Due:**Marriott (GA) |
| M-July 25 | **QUIZ #2*****Valuation*** (continued)   | **Extra Credit Due:**Valuation Example (IA) |
| T-July 26 | ***Going Public*** Read “Preparing for the Google IPO” case & Answer questions on handout distributed  in class  RWJ - Chapter 15 | **Case Due:**Valuation (IA) |

|  |  |  |
| --- | --- | --- |
| W-July 27 | ***Going Public (continued)******Corporate Control*** RWJ - Chapter 26 Read the following articles & Answer questions on handout distributed in class:  “How the best divest” “The new M&A playbook”  “When to walk away from a deal”  |  |
| Th-July 28 | ***Corporate Control***(continued)  | **Case Due:**Google (GA) |
| M-Aug 1 | **QUIZ #3*****Corporate Control***(continued) Read WSJ articles on Corporate Control &  Answer questions on handout distributed  in class |  |
| T-Aug 2 | ***Corporate Control***(continued) | **Case Due:**Yanzhou (GA) |
| W-Aug 3 | ***Options*** RWJ – Chapters 24 and 25 |  |
| Th-Aug 4 | ***Options*** (continued)***Risk Management*** RWJ - Chapter 23 | **Case Due:**Mellon Financial & The Bank of New York (GA) |
| M-Aug 8 | **QUIZ #4*****Risk Management*** (continued) |  |

|  |  |  |
| --- | --- | --- |
| T-Aug 9 | ***International Financial Management***  RWJ – Chapter 21 | **Case due:**Tiffany & Co. (GA) |
| W-Aug 10 | ***Review for Final Exam*** |  |
| Th-Aug 11 | **FINAL EXAM** |  |

1. “RWJ” refers to the Ross, Westerfield, Jordan textbook. Other readings are in the course materials that must be purchased. The reading assignments must be completed by each student independently. Assigned questions for the readings will be distributed in class approximately one week before the reading is due. [↑](#footnote-ref-1)
2. Cases are in the course materials that must be purchased. “IA” refers to an individual assignment that must be completed by each student independently. “GA” refers to a group assignment for which only one group report is to be submitted. Case assignments will be posted on Blackboard approximately one week before they are due. [↑](#footnote-ref-2)