FIN 4304-601 – Finance Capstone
Fall 2015

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Class Time:	Wednesdays	6:00 p.m. – 8:45 p.m., Room KH – 205	
Office Hours:	Mondays	10:30 a.m. – 12:30 p.m.	
	Wednesdays	4:00 p.m. – 6:00 p.m., and by appointment.	

COURSE MATERIAL

- Eugene F. Brigham and Joel F. Houston (BH), "Fundamentals of Financial Management," 13th Edition, 2013, South-Western Cengage Learning, ISBN# 978-0-538-48212-7.

- Course Lecture Notes on Moodle containing lecture outlines, examples used in the lectures, example case solutions, and additional sample problems.

- A Financial Calculator - I would recommend the Texas Instruments BA-II Plus, the Sharp EL 733A, the Hewlett-Packard HP 10-B, 12-C, or 17-B. Make sure that your calculator has net present value (NPV) and internal rate of return (IRR) functions. I will use the Texas Instruments BA-II Plus for all illustrations in class. Manuals and tutorials for various brands of financial calculators are available at www.tvmcalcs.com.

- Recommended: The *Wall Street Journal.*

COURSE OBJECTIVES AND DESCRIPTION

The course is intended for students who wish to integrate and apply financial concepts and tools to financial decision-making in a variety of situations. The course combines financial theory with practical applications of the theory using cases. It builds from the core finance topics covered in a basic Financial Management course, and reinforces and extends these concepts to more advanced strategic decisions. We will discuss a wide range of topics that include valuation of financial assets, capital budgeting, option pricing, warrant and convertible financing, and the institutional aspects and valuation of mergers and acquisitions.

COURSE STRUCTURE

The classes will follow a lecture, problem solving, and case discussion format. The lectures and problems are designed to develop an understanding of the major elements of financial decision-making. A tentative class schedule is attached. Emphasis is placed on the logic underlying each concept, how each concept is used in finance, and on how the concepts are interrelated. The course will cover several chapters from the textbook, some in their entirety and others only partially. In the latter situation, the class lectures and additional readings will provide supplementary material that is crucial for a fuller appreciation of the issues. Several cases are assigned for analysis and discussion, and you are required to actively participate in these discussions. This is aimed at helping you integrate the class material with the real world.

EVALUATION

Performance will be measured by the following components in the following weights:

Homework Assignments	15%	
Case Analysis & Report	20%	
Attendance	5%	
Mid-Semester Exam	30%	*October 7, 2015*
Final Exam	30%	*December 9, 2015*

The final course grade will be assigned on the basis of the weighted average composite score from the components specified above. The letter grade will be based on the natural distribution of the composite scores and <u>not on pre-determined cut-offs</u> for the different grades.

Homework Assignments: You will be assigned several problem sets during the semester that will be graded on a 10 point scale based on effort. You will receive a score of 10 if you complete all problems on a homework assignment (whether or not the work is correct); a score of 6 for partially completed assignments; and a score of zero if you fail to turn in an assignment by the due date. You may discuss the assignments with the other members of the class. <u>However, all assignments must be written up individually</u> reflecting your understanding of the concept. Solutions to the homework assignments will be posted on Moodle on the day the assignments are due.

Case Assignments: Each student in the class will be part of a team, and each team is required to analyze and write up a comprehensive report on one case. Your team assignment, the case that you will analyze, and the due date for your comprehensive case report will be given to you. <u>Each team is required to submit a team report on the assigned case</u>. This report is due at the beginning of class on case day. <u>You do not have to make a formal presentation of your analysis</u>. However, members of each team will be the experts on the topic of the case assigned to them, and they will be called upon to discuss pertinent issues of the topic during discussion of a similar case in class. <u>All members of the team are expected to be in class during case discussion; otherwise, your report score will suffer</u>.

Solution outlines and PowerPoint slides to the cases assigned for class discussion are available on Moodle. You are expected to read these cases prior to class, and briefly outline the salient points so that you can extract maximum value from the discussions. This will also help you prepare for the exams since cases may contain material that is not part of the class lectures.

Examinations: There will be two in-class exams -- a mid-term and a final. The final exam will not be intentionally cumulative, although concepts developed in earlier chapters will necessarily be employed in later chapters. The exams will be a combination of multiple choice questions, short essays, problems, and mini-cases. They will cover the class lectures, and the assigned text and readings. The homework and case assignments will be representative of the level of difficulty of the exams. During both exams a formula sheet will be provided by me. You are requested to bring a financial calculator.

Attendance: Students are expected to attend all classes regularly and punctually. I will check attendance randomly; students who are not present when attendance is checked are considered absent.

Grading: In order to receive a grade in this course, you must complete the two exams, and provide a report for the case that is assigned to your team. Otherwise, you will receive a grade of "F". For exams missed, <u>a make-up exam will be administered only under extenuating circumstances</u>. You <u>must</u> provide some supporting documentation in order to be able to make-up an exam.

OTHER INFORMATION

- Please download and print the course lecture and case material from Moodle prior to class. Please read ahead for each class. This will enhance your comprehension of the lectures.

- If you miss a class you are responsible for the material that was covered, as well as any announcements that may have been made in the class.

- Each member of a team is expected to participate fully in the analysis of the case assigned to your team. I leave it to each team to decide how to divide up the work among its members and settle any disputes that may arise during the course of the analysis.

- It is university policy to provide, on a flexible and individualized basis, reasonable accommodations to students who have disabilities that may affect their ability to participate in course activities or to meet course requirements. Students with disabilities are encouraged to contact Disabled Student Services (DSS) at 504-280-6222 as well as their instructors to discuss their individual needs for accommodation. All information regarding disabilities is confidential.

- Academic integrity is fundamental to the process of learning. <u>Academic misconduct is grounds for failing the course and potential additional sanctions</u>. Academic misconduct includes, but is not limited to, the following – cheating, plagiarism, tampering with academic records and exams, falsifying identity, and being an accessory to acts of academic dishonesty. Please refer to the UNO Judicial Code for further information.

- Please be in the classroom punctually, and please turn off your cellphone prior to class. Please also refrain from surfing the internet during class. I encourage you to ask questions during class, but please do not talk among yourself as it distracts me and the other students, and is disrespectful to us.

- If you have questions or need to meet with me for any other reason, please stop by during office hours, call me to make an appointment, or email me with your questions.

INSTRUCTIONS FOR COMPREHENSIVE CASE REPORTS

- Your report must be type-written, one report per team. Please attach a title page which lists the team number and the names of the team members in alphabetical order, along with the title of the case analyzed.

- <u>Report Style:</u> Please show details of the work for problems that are part of the case. Please use spreadsheets where relevant -- attach spreadsheets as exhibits at the end of the report, and reference the exhibits in the main text. Include an introduction paragraph discussing the problem being analyzed and the main issues that apply to the case. Have a conclusion section. If you are making recommendations, discuss them in this section, providing brief justifications.

  Use the questions provided at the end of the case to structure your analysis. Please be sure to thoroughly discuss the issues brought up in these questions. However, your report should not be just a sequence of questions and answers. You are expected to tie the concepts together to fashion a cogent report. You report should thus discuss/justify/analyze the issues directed by the questions, and then provide a clear write-up that elucidates all the issues.

  I also encourage you to go beyond the case questions by including additional *relevant* sensitivity/robustness analysis that will bolster your arguments.

- Keep in mind that your case report will be graded based on content, thoroughness of analysis, and presentation style. All members of a team will receive the same score on a report.

MATERIAL THAT YOU CAN IGNORE WHEN READING THE CHAPTERS

Chapter 9: From page 316 Section 9.7 to end of section on page 321.

Chapter 12: From page 411 Section 12.4 to page 418 end of Section 12.6.

Chapter 18: From page 602 Section 18.1 to end of Section 18.2 on page 605; from page 612 Section 18.4 to end of chapter.

Chapter 20: From page 678 Section 20.1 to page 688 end of Section 20.2.

Chapter 21: From page 726 Section 21.8 up to end of chapter.

PRACTICE PROBLEMS

The following problems from the textbook illustrate the important concepts from each chapter, and are representative of the problems that you will see on the exams. I will distribute additional problems on some of these chapters from time to time.

Chapter	*Question/Problem*	
Chapter 7	Questions:	1 – 15
	Problems:	1 – 13, 15, 17 – 20
Chapter 9	Questions:	1 – 5
	Problems:	1 – 4, 6 – 14, 16 – 18, 21
Chapter 10	Questions:	1 – 5
	Problems:	1 – 18, 21
Chapter 11	Questions:	1 – 9
	Problems:	1 – 7, 10 – 21, 23
Chapter 12	Questions:	1 – 6, 11 – 13
	Problems:	1 – 6, 8 – 11, 13 – 17, 20 – 22
Chapter 18	Questions:	2, 6
	Problems:	1 – 3
Chapter 20	Questions:	9 – 12
	Problems:	2, 3, 6, 7, 9, 10, 12
Chapter 21	Questions:	1, 2, 5
	Problems:	1 – 7

TENTATIVE CLASS SCHEDULE

August 19	Introduction Review of Time Value of Money, Risk & Return Tradeoffs BH: Chapters 5 & 8
August 26	Bond Valuation BH: Chapter 7
September 2	Bond Valuation (continued) BH: Chapter 7
September 9	Valuation of Common & Preferred Stock BH: Chapter 9
September 16	Valuation of Common & Preferred Stock (continued) BH: Chapter 9 The Cost of Capital BH: Chapter 10
September 23	The Cost of Capital BH: Chapter 10 Capital Budgeting – The Basics BH: Chapter 11
September 30	Capital Budgeting – The Basics BH: Chapter 11 *Case Discussion: West Coast Semiconductor, Inc. – Cost of Capital Analysis*

October 7   Mid-semester Examination   KH-205   6:00 p.m. – 8:30 p.m.

October 14	Capital Budgeting – Project Cash Flow Analysis BH: Chapter 12
October 21	Capital Budgeting – Project Cash Flow Analysis (continued) BH: Chapter 12 Option Basics BH: Chapter 18
October 28	Warrants & Convertible Bonds BH: Chapter 20 *Case Discussion: Cranfield, Inc. (Part I) – Capital Budgeting Analysis*

November 4   Warrants & Convertible Bonds (continued)
BH: Chapter 20

November 11   Merger Valuation
BH: Chapter 21

Case Discussion: Virginia May Chocolate Company – Warrants & Convertibles

November 18   Merger Valuation (continued)
BH: Chapter 21

November 25   *Case Discussion: Nero's Pasta, Inc. – Merger Analysis*

December 2   *Review for Final Examination*

December 9   ***Final Examination***   ***KH-205***   ***6:00 p.m. – 8:30 p.m.***