



UNIVERSITY OF  
**ARKANSAS**  
SAM M. WALTON  
COLLEGE OF BUSINESS

### **COURSE SYLLABUS**

Course: **FINN 3603 Corporate Finance**

Prerequisite: WCOB 2043 and FINN 3013

#### **Course Objective:**

Welcome to the **Corporate Finance**. I am very happy to be teaching this course and I hope you enjoy the semester. I am sure you know by now that finance is mostly about understanding economic/present value. In order to efficiently allocate resources we need to know the relative values of real asset (e.g. land, machinery, buildings,) and financial asset opportunities (bonds, stocks, options, etc.). We already know (from the “Acquiring and Managing Financial Resources” course) that the present value of any asset depends on – the amount and timing of cash flows the asset generates, and the risk (reflected in the discount rates) of those cash flows. This course focuses on providing theoretical and practical frameworks for understanding *how* investors, and more importantly, how company managers, can influence both the amount and risk of cash flows to enhance shareholder value. We will discuss the approaches that managers might use to efficiently attract capital and distribute profits. More specifically, we will examine how managers should make investment, financing, and dividend decisions that enhance stockholders’ investment value and why managements often don’t make decisions that increase shareholder value.

After reviewing financial statements concepts, the main topics included in this course are (i) the capital budgeting decisions (ii) the capital structure decisions (iii) raising capital and security issuance decisions (iv) dividend decisions, and (v) the nature of “agency conflicts” that give managers incentives to make decisions that are contrary to maximizing shareholder value. This course is elective and as such it covers a lot of material and can be very challenging at times. However, the work and lectures are designed to help you succeed. If you keep up with the reading assignments, spend time working the problems, you should do well in the course.

#### **Teaching Philosophy:**

My goal is to see you learn and want to learn more. I am interested in your understanding the logic of value analysis not just in how to make a computation. Also, I believe that learning is easier if you want to learn. However, to want to learn requires an initial investment of time and effort to gain enough knowledge for you to develop curiosity and have questions, such as “I wonder why it’s done this way? Isn’t this contrary to...?. Whose value is affected by this decision and how?” I recommend that you set aside time to look at newspapers and/or online business sites and read about events that seem related to finance issues. Bing/Google items in the textbook to get another view/description. The more you know about most subjects, the more interested you become in learning even more. Also, you should be aware that instructor enthusiasm often reflects student enthusiasm. If you show effort I will do my best to help you to understand the material and to do well on the exams. I realize that you have a busy schedule and often face difficulty in getting enough time to study. This makes it all the more important to get involved while you are in class. I think that we can engage in interesting discussions, especially

about current events, but keep in mind that you must still expect to work diligently on assignment problems. At the same time remember, “Acquiring and Managing Financial Resources” and “Financial Analysis” are prerequisites for this course, so some of material we will cover has already been introduced in these courses. Still, don’t be misled, our level of difficulty will be greater and the pace faster.

*If you feel you cannot commit the necessary time to learning this material at this point in your education, I recommend you drop the course now and re-register for it at a more appropriate time.*

**Required Materials:**

- 1) Fundamentals of Corporate Finance, 10<sup>th</sup> Edition by Ross, Westerfield, and Jordan;
- 2) A financial calculator. I will be using HP 10BII, called the HP “ten- B-two” financial calculator.

*Students are also asked to bring a copy of the power points to class. Power points and solutions can be downloaded from Blackboard.*

**Highly recommended information sources:**

Wall Street Journal and business sections of local newspapers; TV stations such as MSNBC and Bloomberg; and online sites such as Marketwatch.com, cnfn.com, and Yahoo.com, etc. I plan to include one of these sites in each lecture. Also, please bring to class any pertinent news items you run across that you consider interesting and I will try to use them in the class lectures.

**Examinations and Grading:**

Your final grade will be determined by your performance on the following: three 100 point exams and an additional 30 bonus points for attendance. Sign-up sheets will be used at 10 randomly selected lectures with each counting 3 points for a total of 30 points. So, there is a total of 330 possible points. However, the final grades for the course will be based on 300 points. That means that normally anyone with 90% (270 points) gets an A; similarly, 80% (240 points) will earn a B, etc. However, if total points are slightly less than required for the next higher grade **and if attendance has been strong**, the next higher grade may be awarded.

The exams may incorporate both applied and conceptual content, a mixture of problems, short answers, including multiple choice and discussion questions. The class exams will be “closed book”. However, I will provide a formulae sheet with each exam, but it will not have definitions or instructions on how to use the formulae. Exam grading may be based on either or both the approach taken to respond and the correctness of the response. Simple financial calculators are allowed for exams. However, sophisticated calculators with outside communication and/or photographic capability are not allowed for use on exams. Please make accommodations before the exam.

Exams are scheduled well in advance so that you can plan around these dates. Do not ask to be excused from exams for matters of personal convenience. An unexcused absence without supporting documentation (e.g. doctor’s note, police report) will result in a grade of zero.

## **Lectures:**

Lectures will stress the most important issues addressed in the text and assigned readings as well as current financial events. You are responsible for all material covered in class, assigned readings, suggested problems, study questions, and problems. Lectures will go beyond the scope of the textbook for most topics and all discussions are possible exam material. **You are responsible for all announcements made in class.** Therefore, it is important for you to attend class. Power points, solutions, and other pertinent information are available on the Blackboard system. At a minimum you should copy and bring the power points to class. Class lectures will sometimes involve working through problems, so, you should also have a calculator available for use during class time so that you may work problems and participate in class activities.

## **Academic Dishonesty:**

Cheating on exams and other academic misconduct are grounds for failing the course and additional sanctions. Refer to “Policy on Academic Honesty”, as published in the *Undergraduate Catalog of Studies*.

## **Inclement Weather Policy:**

Simple – if the university closes, there is no class.

## **Other Issues:**

It is easy and effective to email me your questions and I will reply as soon as I can. But we can also entertain them in class. I am available during office hours and will gladly schedule an appointment with you if the alternatives listed above do not meet your needs. In addition, prior to exams I will expand office hours to assist you. **However, I will not be available on the day of the exam.**

## **Course Outline:**

The following agenda is tentative. Reading material will be added and some may be deleted as the semester progresses. The exam dates can be changed! I have provided a brief list of suggested questions and problems that appear at the end of chapters in the text. You are strongly encouraged to pursue at least some of the questions/ problems prior to the lecture. Solutions are posted on the Blackboard system.

## **Class Meeting Agenda:**

(End of chapter material: C=*concept review*; Q= *Questions and problems*; M= *mini-case*)

<u>Week 1</u> (Aug 21/23)	Motivation, Review of financial statements Chapter 1 C: 14, 15, 16. Chapter 2 C: 1-12; Q: 5, 8,10,14,18, 21.
<u>Week 2</u> (Aug 28/30)	Working with financial statements and long-term planning Chapter 4: Q: 4, 9, 14, 25.
<u>Week 3</u> (Sep 4/6)	Review of Investment criteria Chapter 9: C: 13, 14, 15. Q: 13,24,26,27.
<u>Week 4</u> (Sep 11/13)	Making Capital Investment Decisions Chapter 10: Q: 14, 15, 16, 17, 18, 36.

<u>Week 5</u> (Sep 18) (Sep 20)	<i>Catch-up</i> <b>Exam #1 (Chapters 1, 2, 3, 4, 9, 10)</b>
<u>Week 6</u> (Sep 25/27)	Project evaluation and analysis Chapter 11: Q: 2, 11, 19. Chapter 14 Cost of capital C: 2, 3, 8, 9, 10; Q: 1, 2, 8. Return Exam.
<u>Week 7</u> (Oct 2/4)	Chapter 14 continued Chapter 15: Raising Capital, C: 5, 6, 7.
<u>Week 8</u> (Oct 9/11)	Chapter 16 Financial leverage and capital structure C: 1, 2, 4. Chapter 16 Q: 1,4,8,10,11.
<u>Week 9</u> (Oct 18)	Oct 16 holiday Dividend Policies Chapter 17 C: 6, 7, 9; Q: 1, 2, 8.
<u>Week 10</u> (Oct 23) (Oct 25)	<i>Catch-up</i> <b>Exam II: Chapters 11, 14, 15, 16, and 17*</b>
<u>Week 11</u> (Oct 30) (Nov 1)	Chapter 18, Short term finance and planning, C, 9, 10; Q: 7, 8, 10, 11 Chapter 20, Credit and inventory management, C: 3, 4, 6, 9; Q: 1, 3, Q: 15 Return exam
<u>Week 12</u> (Nov 6-8)	*Agency problems in governing modern corporations Handout
<u>Week 13</u> (Nov 13/15)	* Corporate governance: compensation, voting, accounting Sarbanes- Oxley Act. Handout
<u>Week 14</u> Nov (20/22)	Thanksgiving holiday
<u>Week 15</u> (Nov 27/29)	*Corporate corruption- International and criminal dimensions Foreign Corrupt Practices Act, British Anti-Bribery Law (2010), Money Laundering (Financial Action Task Force)
<u>Week 16</u> (Dec 4) (Dec 6)	<b>Exam III (Chapters 18, 20 and corporate governance issues)</b> Summary and wrap-up

**\*Sometimes the dividend material (chapter 17) is included on Exam III.**

\*Handout materials will be provided.