Baylor University

Finance 5360

Corporate Financial Management

Summer 2016

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Course Objectives:

In Finance 5360, we examine how firms make optimal financial decisions. We explore this issue by discussing how cash flow, time, risk, information, market imperfections, the absence of arbitrage, and the presence of options affect corporate decisions about what assets to acquire, what assets to divest, and what sources of funding the firm should use.

Prerequisite: An introductory finance class like Finance 3310.

Textbook:

Corporate Finance (3rd edition) by Berk and DeMarzo

Note: The information on my website is designed to be fairly self-contained. But my notes (chapter numbers, etc.) generally follow the structure of the text.

Office Hours:

Daily: 2:00 – 3:00

Note: If for some reason I will not be available for some of my office hours, I will post a note on my door. If possible I will also send out an email and/or make an announcement in class prior to the missed office hours.

Overview of Class:

Nobel Laureate and Stanford Professor Carl Wieman compares lecturing in a college course to the ancient practice of bloodletting in medicine. (See: http://www.npr.org/sections/ed/2016/04/14/465729968/a-nobel-laureates-education-plea-revolutionize-teaching). I tend to agree, and I stopped using valuable class time to lecture after the fall 2012 semester. As a result, this class will likely be very different than most you have taken at Baylor (though I expect this to gradually change over time). The following general guidelines will help you get the most out of this class.

Coverage of topics (chapters in textbook): At the end of this syllabus, I have included a schedule of when we will discuss each of the chapters. This will help you figure out what topics we will be discussing in each class.

Things you should do before we begin to discuss a chapter:

1. Study my notes (see my website) for the chapter. As you study the notes, write down any questions you have about the information or examples.
2. Read the chapters from the textbook. Reading the entire chapter will probably help you, but you can also just read sections of the textbook related to those parts of the notes you find confusing. My notes are condensed. The textbook has more space to devote to each idea.

Things you should do after we finish discussing a chapter:

1. Work problems from quizzes for the last two summers. Write down any questions you have about specific problems so you can ask these in class.
2. Work problems from older quizzes and exams until you are confident you understand the topic.

Class Notes: While I will not lecture, I will give a brief overview of each section of the notes. It will be up to you to ask any questions you have about the notes as we work through them. I will also call on people at random to answer questions about the notes. The lower your current participation grade, the greater the probability I will call on you. I do not post videos of me lecturing online; however, I have created white-board video clips that show the development of many of the tables and graphs in my notes. Links to these videos are imbedded in the PDFs of class notes.

Old quizzes: The day after we finish discussing each chapter of notes, you will also have a chance to ask questions about problems from old quizzes. I have several recommendations regarding problems from old quizzes: 1) avoid looking at the keys until you think you have worked the quiz correctly or feel hopelessly stuck (you will obviously not have answer keys when you take the quizzes or final this semester); 2) keep working old quizzes until you have worked several in a row where your answers match the key; 3) work new problems rather than problems you have worked before or have heard explained. The hard part of finance is figuring out what to do. Once you have heard a problem explained, you will not learn much from working the problem. The same basic principle applies to reworking problems you have previously worked. Rather than reworking a problem, try working a problem you have not seen before. My website and the book contain a LOT of practice problems. I will call on people to explain answers for quizzes from summer 2015 and summer 2016. I will ask for volunteers to explain answers from quizzes from other semesters.

Note: Obviously you won't be able to ask questions about the notes, ask questions about problems from old quizzes, or pass the quizzes unless you have studied the notes and worked through the old problems before you come to class.

Grading:

Quizzes	525
Class participation	200
Final Exam (Comprehensive)	450
Total Possible Points	1175

Your grade will depend on how many of these possible points you earn. If you earn 1057 points, you will receive an A; 1045, an A-; 1022, a B+; 940, a B; 928, a B-; 904, a C+; 822, a C; 810, a C-; 787, a D+; 705, a D, 693, a D-; and fewer than 693, an F. It is possible that you will need fewer points than those listed.

Points for Quizzes: There will be eight quizzes at the beginning of class on the days listed on the last page of this syllabus. Each quiz will have one-problem quiz worth 75 points related to the material listed on that schedule. I will count your seven best quizzes. If you are sick, do not come to class (or my office!). I will count you as excused from the quiz. I will also excuse you for unavoidable job-related activities and family emergencies. To be excused contact me via email (before the quiz if at all possible). If you are excused from a quiz, I will use your class rank on the quizzes you do take to determine your grade on the missed quiz. A preliminary quiz score will show up on Canvas for the excused quiz, but this grade could go up or down over the semester depending on how well you do on future quizzes. The further we get into the semester, the more stable this score should become.

Points for Class Participation: You can earn class participation points by asking and answering questions about the notes and by asking and answering problems on old quizzes and exams. Class participation grades tend to range from 120 to 200 with an average of around 160. The points you earn will depend on: 1) the quality of your questions and comments, 2) the contributions of your peers, and to a lesser extent, 3) how frequently you contribute to class discussions. The better your contribution to class discussions, the higher your class participation grade will become. The more you sit quietly as your peers contribute to class discussions, the lower your class participation grade will become. I will post participation grades daily, though they will be very volatile (both up and down) for a while. Basic questions about the notes ask "what?", better questions ask "why?", even better questions pull together more than one idea discussed in the class and/or relevant material from outside the class…especially current events such as you would find in The Wall Street Journal. You can also earn participation points for asking specific questions about old quizzes, but not for simply asking to see a problem. The points you earn for explaining the solution to problems on old quizzes depends on how clearly you can explain the correct answer.

Points for Final: The final will have five short-answer questions worth 15 points each and five problems worth 75 points each.

Course Policies:

Honor Code: Violations of the honor code (including cheating and not reporting cheating) will result in an F in the course and possible expulsion from the University.

Technology during quizzes and exams: During quizzes and exams, you may not at any time bring out (from your backpack or pockets) a computer of any kind (including handhelds), or a phone, or a calculator that contains text related to this class. I reserve the right to flunk anyone who breaks this rule for any reason. I will project the current time on the screen at the front of the room so that you will know what time it is even if you use your phone as a clock.

Statute of limitations: A one-week statute of limitations applies to appeals on grading. The one-week period begins when I post grades for quizzes and begins on the first day of the fall semester for the final.

Attendance Policy: The business school attendance policy states that students will receive an "F" in a class unless they attend at least 75% of all class sessions.

Recommendations:

Working homework problems is one of the best (if not the best) way to learn the material for this course. And the best problems for working to prepare for the quizzes and finals I write this semester are problems from quizzes and finals I wrote in the past. I therefore highly recommend that you work the problems you will find if you follow the link "Quizzes and Keys" for each section of material we cover. You will also find good problems by following links on my web pages titled "Questions from older exams" and "Very Old Exams and Keys" under "Other Material". The textbook also has many good problems you can work, but these are often VERY long with multiple steps. While the textbook problems are more often complex than problems you will work on quizzes or even the final, they are good practice for the kinds of problems you might face in the real world. When working homework problems, I recommend that you avoid looking at the book, the notes, and especially the solutions until you get stuck or think you have the correct answer. After you have tried the problems yourself, I recommend that you get together with a study group to discuss the homework. As you defend your answers and/or ask others about their answers, you will learn a lot more about finance than you would on your own.

Important Dates:

Day after finish each set of notes: demonstrate spreadsheets and discuss old quiz problems.

July	7	Overview of class
	8	Start discussion of chapter 3 notes
	11	Continue discussing of chapter 3 notes
	12	Discuss problems on old quizzes (ch. 3), start discussion of chapter 4 notes
	13	Quiz 1 (ch. 3), start discussion of chapter 5 notes
	14	Continue discussion of chapter 5 notes
	15	Discuss problems on old quizzes (ch. 4 & 5), start discussion of chapter 7 notes
	18	Quiz 2 (ch. 4 and 5), start discussion of chapter 8 notes
	19	Discuss problems on old quizzes (ch. 7 & 8), start discussion of chapter 10 notes
	20	Quiz 3 (ch. 7 & 8), start discussion of chapter 11 notes
	21	Continue discussion of chapter 11 notes
	22	Discuss problems on old quizzes (ch. 10 & 11), start discussion of chapter 14 notes
	25	Quiz 4 (Ch. 10 & 11), start discussion of chapter 15 notes
	26	Start discussion of chapter 16 notes
	27	Discuss problems on old quizzes (ch. 14, 15, & 16), start discussion of chapter 20 notes
	28	Quiz 5 (ch. 14, 15, & 16), continue discussion of chapter 20 notes
	29	Continue discussion of chapter 20 notes
August	1	Discuss problems on old quizzes (ch. 20), start discussion of chapter 21 notes
	2	Quiz 6 (ch. 20), continue discussion of chapter 21 notes
	3	Continue discussion of chapter 21 notes
	4	Continue discussion of chapter 21 notes
	5	Discuss problems on old quizzes (ch. 21), begin discussion of chapter 22 notes
	8	Quiz 7 (ch. 21), discuss problems on old quizzes (ch. 22)
	9	Quiz 8 (ch. 22), review for final
	10	Final