

UNIVERSITY OF HOUSTON

Ronald F. Singer
Fall, 2010

Finance 7330
Advanced Corporate Finance

SYLLABUS

This course deals with the problems facing financial managers of typical large U.S. Corporations. We examine these problems from the perspective of the CFO or the corporation's investment banker.

The decision facing financial managers can be divided into three general areas:

- (1) the firm's capital budgeting decision
- (2) the firm's capital structure decision, and
- (3) the firm's payout decision.

Although you have dealt with some of these problems in the finance prerequisite (FINA 6335), we will delve into these problems much more deeply thereby enriching your understanding of these decisions.

ADMINISTRATION

There will be two exams, and some problems and mini cases. The grade will be as follows:

PROBLEMS	5%
FIRM VALUATION	25%
EXAM 1	30%
FINAL	40%

The assigned reading will be the reading that deals with the material we will be discussing on that date. It is critical that you do the reading **before** the lecture. I find that students have a great deal of difficulty understanding the material unless they are familiar with it from the reading they have done prior to the class.

PROBLEMS

There will be regular assignments of problems. The problems make up only a small portion of your grade. However, I encourage you to work on these problems diligently. Doing the problems will be a great aid in helping you structure our studies for the exams. Problems are to be done individually, and not as part of a group.

FIRM VALUATION

You will be asked to form a group of between 3 and 5 students in order to analyze a firm. Groups must be formed no later than Friday, September 4. The group will then choose a

publicly traded firm on an organized US Exchange or on NASDAQ. You will have to declare your firm no later than September 14th and the choice is subject to my approval. Please email me a list of the groups, and the firm you have chosen (along with its trading symbol). You will “follow” this firm throughout the semester, and will ultimately be asked to place a value on the stock of that firm. In the interim, the groups will be asked to answer various questions about the firm over the semester. The results of the group valuation will be presented to the class on November 18th. Attendance on November 18 is MANDATORY for all students in the class, and I may ask an exam question regarding the presentations on the final exam.

EXAMS

In the exams you will have to use a non-programmable financial calculator. I will be inspecting the calculator during the exams. If you must use a programmable calculator, you will have to prove to me that there are no programs in the memory by coming to the exam at least five minutes early to get certified. I will supply a sheet of formulas for the exams.

ADMINISTRATION

I encourage class participation! It is important that you learn from each other. In the beginning of each class I reserve time for questions. These can be of two types:

- (1) Questions about current topics in the financial papers
- (2) Questions related specifically to the subject matter in the class.

Of course, this is not meant to discourage questions at any time during the class. I particularly encourage questions with regard to current topics. This gives us a chance to apply what we have learned to “the real world” and makes class more interesting.

I highly encourage you to read a financial paper on a daily basis. Studies show that developing this habit at school has a long term impact on reading a financial paper throughout your life, and that regular reading of a financial paper has an impact on the decisions individuals make in their careers or personal finances.

The prerequisites for this course are graduate standing and FINA 6335. Do not ask me to waive these prerequisites. I cannot and will not do so.

Office Hours: Tuesday, 4:45 to 6:00 and Thursday, 4:15 to 5:00, or by appointment.
Room 210F MH

Phone Number: 713-743-4771

Required: Brealey, Myers and Allen, *Principles of Corporate Finance*, 10th ed.
Wall Street Journal or other suitable financial paper
Financial Calculator.

Accommodations for Students with Disabilities:

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.

Academic Honesty:

The University of Houston's Academic Honesty Policy is strictly enforced by the Bauer College and by this professor. A discussion of the policy is included in the UH Student Handbook, <http://www.uh.edu/dos/hdbk/acad/achonpol.html>. It is your responsibility to fully understand and comply with all principles contained within this Handbook. Please make sure you understand this policy and in particular, you understand the meaning of plagiarism.

Respect for Students, Faculty and the Academic Process:


I expect you to treat others students and faculty with respect. This includes the following Code adopted by the Bauer College of Business regarding respect for students and faculty:

The classroom environment should be conducive to learning at all times. Therefore, it is important to respect other students and the instructor by demonstrating appropriate language, courtesy, and demeanor in class.


Further, certain behaviors are considered disruptive to the learning environment and/or constitute disrespect toward other students and faculty. Such behaviors include, but are not limited to:

-  Arriving late or leaving early without prior permission from the instructor.

When a student arrives late or leaves early, attention is diverted away from learning toward the individual student arriving late or leaving early. If you must arrive late because of some unusual work or personal situation, please call me prior to the class. Each student should wait until the instructor dismisses the entire class before packing belongings or leaving the classroom.

-  Unauthorized discussions with fellow students during classroom instruction.

Unauthorized talking is disrespectful to the instructor whose purpose is to lead the learning environment and to other students who attend class to learn.

-  The unauthorized use of cell phones or beepers during class.

This includes allowing phones to ring, answering phone calls, checking email, playing games, etc. It is understood that there is the occasional need to have a cell phone/beeper remain in vibrate mode

when, for example, family members are ill. Nevertheless, all cell phones and beepers should be turned off unless otherwise approved by the instructor. A good practice is to turn cell phones off at all times upon entering the Bauer grounds (or, alternatively, to put the cell phone on silent mode).



Performing activities which divert a student's attention from the class discussions or lecture.

DO NOT read newspapers or magazines; use electronic devices for non-classroom related purposes, such as playing games, surfing the internet, reading email, or working on another class' homework; or other similar activities.



Failure to allow another student to fully express his or her opinion during class discussion, or showing disrespectful verbal or body language when another student expresses an opinion in class.

You are encouraged to actively participate in each class discussion. The Bauer College is fortunate to have students with diverse cultural backgrounds. The learning environment is enriched by each student's expression of opinions during class. Thus, the classroom environment must be operated in a manner that encourages full participation from each student.



Inadequate preparation for class.

The learning environment is enriched by each student's thoughtful questions asked in class. However, when a student does not adequately prepare for class and asks remedial questions, time is wasted. Inadequate preparation is disrespectful to the instructor and other students in the class who have come prepared to discuss the day's topics. Additionally, it is expected that students attend every class. In accordance with the policy set forth under the UH Student Handbook, if a student's absences are deemed excessive by his or her instructor, the student may be dropped from the course.



Making abusive or obscene comments or gestures to other students, faculty, or staff members both inside and outside the classroom environment.

This includes sending abusive or offensive email or voice messages.

Violation of these rules may result in a grade adjustment or disciplinary action as deemed appropriate by the instructor, .

ESTIMATED TIME TABLE

<u>Week of</u>		<u>Subject</u>	<u>Assignment BMA 9th edition</u>
8/26	(1)	Review of Financial Management	Chapter 2, 3, 6
9/02	(2)	Making Investment Decisions	Chapter 6.4, 7
9/09	(3)	Practical Problems in Capital Budgeting	Chapter 11, 12
9/16	(4)	Agency Problems and Control	Chapter 13
9/23	(5)	Payout Policy	Chapter 17
9/30	(6)	How much should a firm borrow	Ch. 18, 19
10/07	(7)	Financing and Valuation	Chapter 20
10/14	(8)	Credit Risk and the Value of Debt	Chapter 25
10/21	(9)	EXAM 1	
10/28	(10)	Exam Review and Debt analysis	Chapter 16
11/04	(11)	Information and Financial Decisions	Chapter 15 Smith paper
11/11	(12)	Topic determined by recent events	TBA
11/18	(13)	Case Presentations	
11/25		Thanksgiving Break No class	
12/02	(14)	Review	
12/16		Scheduled date for the Final Exam (5:00 to 7:00) length of exam is tentative	