

Instructor: J. Julie Wu

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Office hours: M & W: 09:00 – 10:30 a.m. or by appointment.

Objectives:

This course will focus on both the *theoretical* development of financial concepts and their *application* to real-world problems. Corporate finance deals with decision-making within the firm. We will focus on decisions related to capital budgeting, dividend policy, and capital structure. Much of the discussions here rely on background information related to time value of money, the risk-return tradeoff, and market efficiency. We will also discuss a variety of special topics such as mergers & acquisitions and numerous corporate governance issues.

In response to employer and former student feedback, you will be asked to practice spreadsheet-modeling on a regular basis. Throughout the semester, I will demonstrate how to conduct various financial calculations and modeling in Excel spreadsheet and you will work on two financial modeling projects. This will give you a chance to gain a practical understanding of some of the core concepts in finance and develop hands-on spreadsheet modeling skills. I expect the course to be a lot of fun, but also a lot of hard work.

Prerequisites:

FINC 341 with a grade of ‘C’ or better is required. This material serves as a base that will be expanded on throughout the course of the semester. Although there will be some review of the material covered in FINC 341, it is your responsibility to refresh their knowledge of these materials.

Course material:

Brigham & Daves, *Intermediate Financial Management with Thomson ONE*, 8th edition, South-Western College Publishing, ©2004, ISBN: 0-324-25891-7

Holden, *Excel Modeling in Corporate Finance*, 2nd Edition ©2005, Pearson Prentice Hall.

Financial Calculator. Any financial calculator will suffice, but you are responsible for understanding how to operate it. You should know how to operate your calculators prior to exams. Calculator manuals are NOT authorized references for examinations.

Exams, projects and grading:

- 1) Nature of exams – There will be 3 exams this semester – each exam is worth 25% of the total grade. Questions will be mainly conceptual in nature with a mixture of short-answer, work-out problems, multiple choice, and true-false. The exams will not necessarily ask you to simply repeat information we covered in class. Rather, they are designed to make you think and apply the knowledge you gain from the course.
- 2) Class projects – There will be an individual project (10%) and a group project (15%). These combined projects account for 25% of your final grade. I’ll post the descriptions of the projects on the class portal (<https://maysportal.tamu.edu>). You will have access to WRDS (<https://wrds.wharton.upenn.edu/wrdsouth/members.cgi>) to obtain data for your projects. Account and password will be posted on the portal.

- 3) Reviewing exams – Graded exams will be distributed and covered in class but need be returned to me at the end of class. You may make an appointment with me if you would like additional time to review your exam.
- 4) Grading errors – If you believe that any of your work is graded or recorded incorrectly, you may submit a *written request* (email is okay) for review within one week of the time the graded work is returned in class. You will be notified when the response to your request is available.
- 5) Make-up exams – Absence from the exams will not be excused except for the most serious reasons. Such serious circumstances must be validated in writing by an appropriately accredited professional (e.g. medical doctor etc.). If the absence is not excused according to the university guidelines, the exam grade will be recorded as zero. The make-up exam should be taken within one week after the regularly-scheduled exam time. (Link to the University attendance policy: <http://student-rules.tamu.edu/rule7.htm>.)

Keys to Success:

- 1) Class participation – I do not take roll, but I do expect you to come to class and take an active role in discussions. In order to do so, you are expected to read the assigned material prior to the date it is covered in class. This will both facilitate your learning and help your preparation for exams.
- 2) Working problems outside of class – I will work a few problems in class and recommend some others for you to work on your own. These problems and practices are not required, but working them will greatly improve your chances of performing well on exams. I will post the Solutions Manual on the class portal for your reference.
- 3) Practicing spreadsheet modeling outside of class – I will demonstrate some financial modeling in spreadsheet in class and you are expected to practice them outside of classroom. Again, these practices are not required, but I believe that the best way to learn spreadsheet modeling and enhance your understanding of finance concepts is to try to build your own models.

Instructor availability:

I am available in my office during the hours provided above. If, for some reason, I should be unavailable during that time, I will make every effort to notify you in advance. I am also available by appointment at a time that is mutually convenient for both of us.

ADA: The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please contact the Department of Student Life, Services for Students with Disabilities at Cain Hall, B118, call 845-1637, or online at: <http://studentlife.tamu.edu/ssd/>

Honor Code: *An Aggie does not lie, cheat, or steal or tolerate those who do.*

Upon accepting admission to Texas A&M University, a student immediately assumes a commitment to uphold the Honor Code, to accept responsibility for learning and to follow the philosophy and rules of the Honor System. **The University is determined to enforce the academic honor policy.** A brief review:

- All suspected offenses must be reported to the Honor Council.
- Supported offenses will be maintained in a permanent database.

- The university has a “two strikes and you’re out” policy. The two strikes accumulate across your entire career at TAMU. With your first strike, the default penalty will be to assign a grade of F for the entire course (where the * denotes that an Honor System Violation has occurred). With your second strike, you’ll be separated from the university. This is no joke. For additional information please visit <http://www.tamu.edu/aggiehonor/>.

(Tentative and subject to changes)

Wk	Date	Topics	Reference
1	01/18, 01/20	Review	Webchapter 28
2	01/23, 01/25,01/27	Risk & Return	Webchapter 28, 2, 3
3	01/30,02/01,02/03	Bond valuation, stock valuation	4, 5
4	02/06, 02/08,02/10	Market efficiency, determining the cost of capital	5, 9
5	02/13, 02/15,02/17	Determining the cost of capital Review 02/17: Exam 1	9
6	02/20, 02/22,02/24	Corporate value, corporate governance 02/24: Individual project due	10, Jensen's paper
7	02/27, 03/01,03/03	Capital budgeting	11
8	03/06, 03/08,03/10	Capital budgeting, real options	12, 13
9	03/13-03/17	Spring break	
10	03/20, 03/22, 03/24	Real options Review 03/24: Exam 2	
11	03/27, 03/29,03/31	Capital structure	14, 15
12	04/03, 04/05,04/07	Capital structure, dividend policy	15, 16
13	04/10, 04/12, 04/14	Bankruptcy, M&A 04/14: Reading day, no classes	24, 25
14	04/17,04/19,04/21	M&A	25, case study
15	04/24, 04/26, 04/28	Raising capital 04/28: Group project due (no class meeting)	17
16	05/01, 05/03,05/05	Review 05/05: Final Exam	