



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Finance 463

Case Studies in Corporate Finance

Spring 2019

Professor John Hackney
DMSB 456D, (803) 777-7632
john.hackney@moore.sc.edu
Office Hours: Wednesdays, 2:00-4:00 p.m., and by appt.
Course materials available on Blackboard

DESCRIPTION:

Finance deals with two types of questions: 1) how to raise money, and 2) what to do with the money. This class is a case course examining corporate financing and investment decisions and related issues in financial strategy. The course is organized into three sections:

1. Financial Statement Analysis, Cash Flow Valuation
2. Capital Budgeting
3. Risk, Cost of Capital, and Capital Structure

By the end of the course, you should be able to:

1. Review the financial statements of companies and identify strengths and weaknesses
2. Create pro forma free cash flow statements
3. Find the appropriate discount rate for firms and projects
4. Analyze the costs and benefits of debt and equity
5. Calculate a company's WACC and assess its role in the investment decision
6. Use valuation techniques to choose between strategic alternatives

REQUIRED MATERIAL:

The course textbook is an e-book comprised of selected chapters from Corporate Finance, by Stephen Ross, Randolph Westerfield, Jeffrey Jaffe, and Bradford Jordan, 11th edition, Irwin/McGraw-Hill. The link to download the e-book can be found [here](#).

Also required is a collection of cases from Harvard Business Publishing. The link to download the cases can be found [here](#). New users will need to register for a free account.

Instructions are posted on Blackboard for accessing the course materials.

OTHER REQUIRMENTS:

A financial calculator to be used during class and on test days.

COURSE STRUCTURE:

The course is comprised mainly of lecture and case discussion. I will begin each topic with a lecture to introduce/review material, next we will analyze an in-class mini-case, and finally, you will conduct an independent analysis and turn in a (usually group) assignment. There will be two exams- a midterm occurring before Spring Break and a final.

PREPARATION:

The benefit you gain from this course relies crucially on your preparation. This preparation directly affects the quantity and quality of your participation, and therefore your final grade. You are expected to prepare for each lecture by reading the assigned chapters from the course textbook and printing the slides if you wish to use them for notes.

For mini-cases, you should expect to spend 2-3 hours carefully reading and preparing the case. Careful preparation means that you have identified the principle questions of the case, and performed any analysis using the appropriate tools and your own intuition. Identifying challenges and ambiguities in the cases is also very important. Articulating these problems provides a useful stimulus for in-class discussion and learning. Finally, the mini-cases come with a set of questions to guide your analysis, although you should not be constrained in the scope or depth of your analysis by these questions.

I will actively call on individuals and ask for volunteers. Do not be concerned or surprised if you have spent considerable time on a case but are still unsure of your opinions/analysis. You are not expected to know all of the answers, only to conscientiously prepare and make a reasonable attempt.

COURSE RESPONSIBILITIES:

Grading

Cases and Individual Assignment	25%
Participation	25%
Midterm	25%
Final	25%

A	90-100%
B	80-89%
C	70-79%
D	60-69%
F	50-59%

Schedule

Date	Day	Topic	Reading	Due
15-Jan	Tues.	Intro Fin. Statements		
17-Jan	Thurs.	Intro Fin. Statements- Mini Case (East Coast Yachts)	Ch. 3, Mini Case (read only)	
22-Jan	Tues.	The Case of the Unidentified Industries in class	Ch. 3	
24-Jan	Thurs.	Case #1 JCPenney		Case #1 Due
29-Jan	Tues.	Discounted CF and NPV (review)		
31-Jan	Thurs.	Making Capital Investment Decisions Individual Assignment- College Tuition	Ch. 6	Indiv. assign. due on Blackboard before class
5-Feb	Tues.	Making Capital Investment Decisions	Ch. 6	
7-Feb	Thurs.	Mini Case (Bethesda Mining)	Mini Case Ch. 6	
12-Feb	Tues.	Case #2 Ocean Carriers		Case #2 Due
14-Feb	Thurs.	Cost of Capital	Ch. 11	
19-Feb	Tues.	Mini Case (East Coast Yachts Pt. 2)	Mini Case Ch. 11	
21-Feb	Thurs.	Case #3 Alex Sharpe		Case #3 Due
26-Feb	Tues.	Midterm Review		
28-Feb	Thurs.	Midterm Exam		
5-Mar	Tues.	Capital Structure: Basic Concepts (M&M Intro)	Ch. 16 (through section 16.4)	
7-Mar	Thurs.	Capital Structure: Basic Concepts (M&M Intro)	Capital Structure: Basic Concepts (M&M Intro)	
12-Mar	Tues.	SPRING BREAK- NO CLASS		
14-Mar	Thurs.	SPRING BREAK- NO CLASS		
19-Mar	Tues.	WACC with taxes	Ch. 16	
21-Mar	Thurs.	Mini Case (Stephenson Real Estate)	Mini Case Ch. 16	
26-Mar	Tues.	Case #4 Midland Energy		Case #4 Due
28-Mar	Thurs.	Capital Structure: Limits to the Use of Debt	Ch. 17	
2-Apr	Tues.	Capital Structure: Limits to the Use of Debt	Ch. 17 and 18	
4-Apr	Thurs.	Capital Structure: Limits to the Use of Debt	Ch. 18	
9-Apr	Tues.	Case #5 Flash Memory		Case #5 Due
11-Apr	Thurs.	NO CLASS		
16-Apr	Tues.	Case #5 Flash Memory		
18-Apr	Thurs.	Financial Derivatives	Ch. 25	
23-Apr	Tues.	In-Class Case Keller Fund		
25-Apr	Thurs.	Final Review		

Participation

Your participation grade will be based principally on 3 items: your presence in class, my assessment of the extent to which you contributed to a positive learning environment, and my assessment of your command of the material.

I will randomly take attendance. If you expect to be absent from any class, you must email me 24 hours in advance with a valid excuse to prevent any adverse effect on your participation grade. If you need to leave class early or arrive late, let me know in advance.

Activities that detract from the learning environment, such as phone usage, disruptive talking, or sleeping will be reflected in the final participation grade.

Group Assignments

There will be 5 group cases over the course of the semester. Cases must be submitted in groups of 3 or 4 students (one case per group). You must form your own groups and remain in them over the course of the semester. At the end of the semester, there will be an opportunity to conduct a peer evaluation of each group member's contribution in order to discourage free-riding.

Case write-ups must be **no longer** than 3 pages with an additional 2-3 tables (if applicable) and should be submitted in **paper form at the beginning of class**. You should expect to spend between 5-10 hours at a minimum preparing your analysis of each group case. On case discussion days, laptop use is permitted to give you access to your financial models.

I will provide questions to guide your analysis of the cases, although as with the mini-cases you should feel free to expand the scope and depth of your analysis.

A helpful description of good case-writing practices written by Professor Eric Powers can be found on Blackboard under the "Course Documents" tab.

Individual Assignment

There is one individual assignment. You are encouraged to talk with your classmates about this assignment, but you must prepare and turn in your own work. A link to this assignment will be posted on Blackboard.

Exams

There will be two exams in this course testing your understanding of the lectures and cases. The material is by nature cumulative, as information presented later in the course builds upon earlier material. For each exam, students will be given a sheet of all relevant formulas. Students will need to bring a financial calculator to solve some problems. No make-up exams will be given in the absence of a family or medical emergency. Vacation is not a valid excuse for missing an exam, even with prior notice. The dates for both the midterm and final are set- make travel plans accordingly.

The midterm exam is scheduled for the Thursday before Spring Break (Feb. 28).

The final exam schedule is listed below.

SECTION	EXAM DATE
TR - 8:30 a.m.	Tuesday, May 7 – 9:00 a.m.
TR - 10:05 a.m.	Thursday, May 2 – 9:00 a.m.
TR - 11:40 a.m.	Tuesday, May 7 – 12:30 p.m.

TECHNOLOGY POLICY

Research shows that the use of laptops or tablets has a negative effect on student learning. For this reason, laptop and tablet usage will be restricted to case discussion days. On these days, laptops are expected to be used only to access Excel and relevant case materials. Any other activities will result in a decreased participation score.

For those who are curious about the research on laptops and learning, see this list compiled by Economics Professor John McDermott.

<http://econintel.net/CI705/Laptop-ban-for-class.pdf>

COURSE POLICIES

Any grade disputes must be discussed with the instructor within two weeks of receipt of the grade by the student. No adjustments will be made outside of this two-week window.

ACADEMIC HONESTY

The University's policy regarding academic dishonesty will be strictly enforced. You are responsible for reviewing the information at <https://www.sa.sc.edu/academicintegrity/honor-code-policy-information/>. Suspected violations of the honor code will be reported to office of academic integrity. The office of academic integrity's web site (<http://sc.edu/academicintegrity>) has useful information about the process that is followed when a suspected violation has occurred.