

FINA 760 – Financial Policies

Spring 2019

Instructor: Donghang “DH” Zhang

Live Class Meetings: Tuesday 6:00 – 9:00 pm in DMSB 324; Wednesday 6:00 – 9:00 pm in DMSB 334 (Please note that we cover the same materials for Tuesday and Wednesday classes. You only need to use one evening)

Office Hours: Tuesday and Wednesday 2:00 – 4:30 pm, or by appointments.

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Class Website: Blackboard – log-in required.

Course Overview

This course provides students with the conceptual framework and the fundamental knowledge and skills to understand and analyze major financial decisions for corporations. We will cover investment and financing decisions, with special attention to some important corporate policy issues such as capital structure and raising capital.

The primary topics and the expected learning outcomes include:

- Understand time value of money (TVM) and be able to perform TVM calculations
- Understand pricing of bonds and stocks
- Understand the risk-return relationship and the theoretical foundations for asset pricing models such as CAPM
- Understand the investment decision rules and be able to evaluate basic capital budgeting projects using various techniques
- Understand and be able to evaluate the factors that affect a firm’s capital structure decisions
- Understand the characteristics and cash flow attributes of options and be able to perform basic option valuation

The financial markets and various players are very creative, and new issues can keep arising. The most recent financial crisis is a good example. Although the world is constantly changing, the fundamental principles and theories remain the same. We will emphasize the underlying principles and theories that pertain to each of the topics. Meanwhile, it is useful that students link the concepts and theories to their real-world experience. Students are also encouraged to read the *Wall Street Journal* on a regular basis.

Students are encouraged to develop an appreciation of the sophistication of modern finance and the way financial economists approach financial issues. Although most of our discussions are implicitly or explicitly aimed at corporate settings, the basic concepts, the fundamental principles, and the method of thinking are useful and important regardless of your future business specializations.

Required Textbook and Materials

Required Text: *Corporate Finance with MyFinanceLab, 4th Edition*, by Berk and DeMarzo (ISBN: 9780134083278. Please note that registration information will be provided separately for MyFinanceLab access. Please check with the bookstore or other sources you prefer to use as to how you purchase the book with the access to MyFinanceLab. Note that the ISBN could be different for different packages of the same book)

MyFinanceLab: Please go to www.pearsonmylabandmastering.com to register for this course, and the course ID is **zhang99771**. Please refer to a PDF file in the same folder on Blackboard with the syllabus (MFL-registration-instruction-2019.pdf) for more information. Please take a tour of the website and try the orientation homework!

Harvard Cases: We will use two cases from Harvard Publishing. Please see below under “Grading” for more details on the two cases. Please refer to “Instructions for Accessing Case Materials_2019.PDF”, which is available on Blackboard (in the same folder with the syllabus) for information on accessing the materials.

Excel/Calculator: You can use either a calculator or Excel to do homework and to take exams. If you use a calculator, a financial one should be more convenient. But you are encouraged to use Excel. Examples will be provided to help you to use Excel to handle some of our problems, and we will also use Excel for our capital budgeting case.

Grading

The grading components will be as follows:

Grading Component	Weight
Homework	30%
Midterm Exam	30%
Final Exam	30%
Whirlpool Case	10%
Google IPO Case (Optional)	Extra Credit

Homework: We will assign homework for each chapter that we cover through MyFinanceLab. Depending on the topic we cover each week, there could be multiple assignments from different chapters due at the same time. These assignments are designed to keep you up with the class. So the due time for the assignment(s) for a particular topic will be shortly after we finish the topic. It is important that you do these assignments on a timely basis, as the questions closely resemble what you will see on the exam.

Exams: Both the midterm and the final exam will be online exams via Blackboard. **For all sections,** the exam dates for the midterm and the final are listed in the tentative course schedule attached at the end of the syllabus. For each exam, an exam link will be available between 7:00 am on the starting day and 9:00 pm on the ending day. The exams will last about two to three hours, depending on the number of questions in the exam (please refer to the descriptions that will be available on Blackboard with the exam for the precise time). Please note that you can

start the exam anytime when the exam link is available, and you will always have all the allowed length of time from the time you start the exam to finish the exam (i.e., you can start at 8:59 pm on the ending day and will still have the allocated time). If you have to be out of town on the exam date(s), please make sure that you have time and internet access to take the exam. For those who really cannot take the exam(s) as scheduled, please discuss it with me as soon as possible.

Whirlpool Case: The Whirlpool Europe capital budgeting case is required and will count 10% of your grades. This case, as well as the Google IPO case below, is copyrighted. Detailed instructions will be provided on how to obtain the case materials. This case will be done in groups. Each group should consist of three to five people. I encourage you to form a group at your earliest convenience (if you cannot form a group by the end of the first week of class, please send a request on the Discussion Board on Blackboard to see if you can join an existing group or form a new one).

Google IPO Case: The Google IPO case is optional. I will provide you an extra lecture on raising capital and some recorded instructions to help you work on the case. You are encouraged to write a case report following the lecture and the case instruction video. You can work with another student and submit one report (i.e., the max number of people in a group for this optional case is two). Depending on the quality of your report, you will receive 0-3% additional credit for this optional work (e.g., if you get 84 for all other grading components and your grade for this optional Google case report is 3%, your final grade for the class would be 87).

Class Website

The class website is a useful place where you can download files such as class notes, discuss questions and issues with other students (and the instructor), and do online assignments. Please make sure you can access and download files from the website.

Trial Quiz and Exams: One trial quiz will be given for you to practice taking exams online via Blackboard. Both the midterm and the final exams will be online exams on Blackboard. Please make sure that you know how to handle the quiz and exams online via Blackboard.

Class Notes: Class notes will be made available on the class website. These notes help you with notes taking. Key concepts will be carefully explained and numerical examples will be worked out in detail in class and in pre-recorded lectures. It is also important that you learn how to frame a question and how we approach it. So the lecture notes by no means can replace attending classes.

Video Files: Some lectures, as well as some complimentary materials for in-class discussions, will be pre-recorded. These video files will be placed on the class website (some could be placed on other university or business school servers if needed – instructions will be provided as to how you can access them if we do so).

Class E-Mail

Each student is required to have the e-mail account that is associated with the *Blackboard system* up to date. And you should check that e-mail account regularly. I often send e-mail messages to the class using the *Blackboard system*. Any class requirements sent in e-mail messages through the *Blackboard* are considered delivered.

Class Format

Class topics will generally follow the textbook, though we may take some significant detours where appropriate. A tentative class schedule is attached. It is important that you read the appropriate sections of the textbook before each class. Providing lecture notes should not be construed as an invitation to ignore the book or skip class.

University of South Carolina Honor Code

All forms of academic dishonesty are prohibited. These include cheating, plagiarism, lying in academic matters, fraud, bribery, unauthorized access to tests and examinations. I expect that all of you follow the highest possible interpretations of the honor code. Here is the link to the honor code

http://sc.edu/about/offices_and_divisions/student_conduct_and_academic_integrity/documents/honor_code.pdf.

Here is the Carolinian Creed:

As a Carolinian...

I will practice personal and academic integrity;

I will respect the dignity of all persons;

I will respect the rights and property of others;

I will discourage bigotry, while striving to learn from differences in people, ideas, and opinions;

I will demonstrate concern for others, their feelings, and their need for conditions which support their work and development.

For more information about academic integrity issues, please go to the following website:

<http://www.sc.edu/academicintegrity/>.

FINA 760 Tentative Course Schedule

Please note that I will make adjustments and update the lecture notes as we move along. So some changes are expected.

Please note that for each live lecture (topic), both days of the week are included in the “Estimated Dates” column because the coverage for Tuesday and Wednesday of the same week is the same! We have two live lectures for the same materials so that we can accommodate all the people who enjoy once in a while live lectures. Please note that all the live lectures will be recorded and put in the video library as before.

Please note that we use both live and pre-recorded lectures to cover the topics. The topics below with “Recordings” being highlighted in the “Estimated Dates” Column will not be covered live. Pre-recorded lectures and a time table for you to work on those lectures will be provided. For the topics with a date in the “Estimated Dates” column, some of the materials will be covered in class, and some will be covered using pre-recorded lectures (and that is why you see “Recordings” after each topic). The recording of the live lectures will be handled by UTS and will be placed in the video library. The pre-recorded lectures will be placed on Blackboard.

FINA 760 Tentative Course Schedule

Lecture/Activity	Topic	Chapter	Estimated Dates
LN01	Introduction, Basic valuation principles, Arbitrage	1, 2, 3	Tue 3/5; Wed 3/6; Recordings
	Term Break - No Class		Tue 3/12; Wed 3/13
LN02	Time value of money and Interest rates;	4, 5	Recording
LN03	Bond valuation and Stock Valuation	6, 9	Tue 3/19; Wed 3/20; Recordings
LN04	Capital budgeting: Investment decision rules and	7, 8	Tue 3/26; Wed 3/27; Recordings
Whirlpool Case			Recording
Midterm Exam			Friday/Saturday/Sunday 4/5 - 4/7
LN05	Risk-return relationship, portfolio theory, and asset pricing models	10, 11, 13	Tue 4/2; Wed 4/3; Recordings // Tue 4/9; Wed 4/10; Recordings
LN06	Capital structure (maybe part of LN05 if needed)	14, 15, 16, 18	Tue 4/16; Wed 4/17; Recording
LN07	Options (maybe part of LN06 if needed)	20, 21	Tue 4/23; Wed 4/24; Recording
Final Exam			Friday/Saturday/Sunday 4/26-28
Bonus Lecture	Raising capital and equity issuances	23	Recording
	Optional Case for Extra Credit: Google IPO case		Recording