



PennState

Smeal College of Business

Finance 405 Advanced Financial Management Spring 2016

Professor Jason Kotter
360 Business Building
Office Hours: M 1-2pm, T R 4-5pm
or by appointment

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Course Website: [Angel \(cms.psu.edu\)](http://angel.cms.psu.edu)

Course Overview:

Finance 405 is an advanced, hands-on experience in corporate financial management. The course is built around three central corporate finance questions: What projects should we invest in? How should we finance these investments? How and when do we return cash to our equity holders? Our focus will be on applying the theoretical foundation learned in introductory finance courses to answer these questions in real business situations.

The covered segments in this course include: mergers and acquisitions, initial public offerings, real options, Monte Carlo simulations, capital structure and dividend policies, and corporate structure and restructuring. Integrated throughout the course will be issues of managerial compensation and potential management-shareholder conflicts.

Required Material:

Selected Harvard Case Studies

- Purchase online (link to be provided in the next few days). Expected Cost around \$40.

Poll Everywhere

- Please register at <https://www.polleverywhere.com/register?p=4911h-1598>. It costs \$14 unless you already have a subscription. You will need to bring either an internet connected device (smartphone, tablet, or laptop) or a phone (to text message) to participate in polls. www.polleverywhere.com/register?p=4911h-djj5&pg=3DNFGsU&u=oB21oT0u

Calculator

- A basic scientific calculator will be sufficient. Please bring this to each lecture.

Wall Street Journal Subscription (strongly recommended)



- You can subscribe for \$1/week at WSJ.com/studentoffer

Optional Supplementary Material:

Applied Corporate Finance, Damodaran, 2015, 4th Edition and *Investment Valuation*, Damodaran, 2012, 3rd edition

- These are good reference books (previous editions are fine). I will highlight the relevant chapters/sections in our class schedule.

@RISK Software

- We will be using this software throughout the semester. It is available in the trading room and in the 2nd floor computer lab, but if you would like to have a copy to use on your personal computer (PC only) you can purchase a 1-year license for \$50 at http://www.palisade.com/cart/products_EN.asp?cat=51&panel=0

Prerequisites:

This course builds heavily on Finance 305. You should not be here unless you have already taken it.

You are expected to be comfortable with:

1. Time value of money calculations (e.g., present value, annuities)
2. Investment Decision rules (e.g., NPV, IRR, Hurdle rates)
3. Levered, Unlevered betas, and WACC
4. Probability and basic statistics (e.g. expected value, distributions, correlation, standard deviation)
5. Excel

If not, you will need to review these to get up to speed quickly so that you do not fall behind in the course.

Class Etiquette:

Our class will be structured as a mix of traditional lectures, case study discussions, and project-based exercises. Your attendance, preparation, and participation are essential to the success of this course. For various classes there will be pre-class assignments including reading case study materials and watching pre-recorded lectures. You are expected to complete these assignments before class and to fully participate during class.

You will need to use an electronic device (phone, tablet, or laptop) to participate in polls during class. You are also welcome to use these devices for note-taking and at times we might use these devices to look up financial information online. However, I expect your full engagement during class. Texting, checking email, social media (Facebook, Twitter, Tinder, etc.), and games are not appropriate. Browsing the internet is also not appropriate, even if it relates to our class material (unless I have specifically given you permission to search for related information).



If you misuse your electronic device during class, I will give you one warning. If it happens again, you will lose 50% of your participation score. If it continues to be a problem, your final grade will be reduced one full level (i.e., from A to B).

Evaluation:

Your course grade will be weighted as follows:

Final Group Project	35%
Midterm Exams (3)	30%
Case Studies	15%
Quizzes	10%
Class Participation	10%

Grading is relative to other students. I do not have a pre-determined grade curve, but based on previous semesters I expect about 40% A- or better, 40% B or better, and 20% B- and lower. I will do my best to be appropriate and fair, but perfection in grading is intrinsically impossible

Group Project:

Bloomberg L.P., TE Connectivity (TEL), and Textron Inc. (TXT) have agreed to sponsor class projects for this semester. You will be assigned together with a group of 4-6 students to one of these three companies based on the section that you are registered for. Each sponsor has created a corporate finance investment decision project based on their company. Your group will work together on a proposed solution for the project. This assignment consists of two parts: a written report, to be turned in electronically on Angel by **9 am on Monday, May 2**, and an oral group presentation to the corporate sponsor (which will occur during Finals week, exact date TBD). The corporate sponsor will choose the best student project based on the oral presentations.

While you are encouraged to seek out additional details about the corporate sponsor (including analyst reports), the final valuations (including the model, final numbers, and accompanying text) should be your own. For example, it is okay to use a consensus analyst growth rate when forecasting your cash flows (though you should clearly identify it as such), but it is not okay to use the exact same cash flow model (same growth rates, same number of forecast periods, same discount rates, etc.) that you find in a specific analyst report. If you are in doubt about what is okay, please ask me.

Plagiarism is a violation of academic integrity and will be reported to this University as detailed later in this syllabus. Plagiarism on the final project will result, at a minimum, in a one full letter grade penalty on the final project grade. Depending on severity, plagiarism might result in failing the course.

Additional details concerning the project will be given to you when the corporate sponsor introduces the project during the first couple of weeks of the course.



Exams:

Midterm exams will be take home exams administered through Angel. The exams will be timed and are open book, open note, and open Internet. The exams consist of short answer numerical questions; partial credit is not given. You are allowed to use a calculator and/or spreadsheet program (e.g. Excel) on the exam. However, during the exam window you are not allowed to work together or discuss the exam with anyone.

Exam questions will be randomized so that each student receives a different copy of the exam. In addition, Angel tracks the time that you begin and finish the exam, the IP address of the computer that you are using, and the time spent on each question. Suspicious behavior will be investigated; any evidence of cheating will be reported as a violation of academic integrity and you will at a minimum earn a 0% on that exam.

If you miss the midterm because of a university approved emergency (e.g., medical or family emergency) that spans the entire window of the exam, please let me know as soon as possible so that we can work out an alternative time to take the exam.

Case Studies:

Case studies are an integral part of the course; our classroom environment depends upon you preparing for the case ahead of time. To facilitate that preparation, most case studies will require you to complete an assignment, which will generally consist of a short (less than 2 pages) write-up and/or an Excel spreadsheet model. These assignments will be turned in electronically on Angel. Cases will clearly specify whether the work is to be done individually or in groups.

I am aware that it is possible to find solutions to most of these cases on the internet. I strongly encourage you to avoid looking for these solutions; basing your answer on someone else's solution cheats you out of a valuable learning experience. Additionally, I consider copying existing solutions to be cheating and if I catch you doing so you will receive no credit for the case.

Quizzes:

Approximately once per week, there will be a short in-class multiple choice quiz administered via Poll Everywhere. These questions will be very similar to questions that we have been solving during class; if you have been actively attending class and reviewing the material you should have no problem doing very well.

There are no make-up quizzes, but I will drop your lowest 2 quiz scores when calculating your final grade. If you miss a quiz due to a University approved absence, you will receive the average of the quizzes immediately preceding and immediately following your absence.



These quizzes are open book/note, but should be completed individually. While it should go without saying, using someone else's Poll Everywhere account to submit a quiz on their behalf is cheating (for both you and the other student) and will be treated as a violation of academic integrity for both of you.

Participation:

Participation can take many different forms. Examples of quality participation include (but are not limited to) thoughtful questions and answers, contributions to in-class discussions, participation in in-class polls, and well prepared use of office hours. I recognize that many people find it very difficult to speak in front of others; however, since this course cannot succeed without two-way discussion, you will not earn full participation points unless you speak up during class. I will strive to create a safe and positive learning environment where everyone can feel comfortable expressing their thoughts and opinions.

As part of your participation grade, you are expected to keep up with current events. Perusing The Wall Street Journal regularly will allow you to see how the topics and decisions we cover in class are put to use in the real world. We will frequently use class time to discuss current corporate financial news.

Throughout the semester, there will be a handful of evening presentations made by visitors from corporations (see course calendar for details). Failure to attend these events will hurt your participation grade (unless you have a documented class conflict or a University approved absence).

Your participation grade is necessarily subjective; however, I try to be fair. If you feel like I have been unfair, please come discuss your situation with me.

How to Succeed in this Course:

There are many ways to be successful in this course. Here are a few tips:

- Come prepared. Our class time is limited, so I expect you to come ready to learn. If there are video or reading assignments, please complete them before class.
- Solve problems. Much of finance is quantitative. The best way to reinforce concepts (and prepare for exams) is to work and understand problems. We will spend lots of class time working through problems; I will also post additional practice problems (and solutions) on Angel. I encourage you to review this material to help you prepare for quizzes and exams.
- Work together. Studying in small groups can be very beneficial. Nothing instills concepts better than teaching them to someone else. A small group setting is ideal for this.
- Don't fall behind. If you are struggling with a concept, come to office hours, talk with your classmates, reread the text, etc. Some of the topics we will cover take some time to sink in. If you wait until the day before an exam to talk to me about problems you are having, it will be too late.



Academic Integrity

According to the Penn State Principles and University Code of Conduct:

Academic integrity is a basic guiding principle for all academic activity at Penn State University, allowing the pursuit of scholarly activity in an open, honest, and responsible manner. According to the University's Code of Conduct, you must neither engage in nor tolerate academic dishonesty. This includes, but is not limited to cheating, plagiarism, fabrication of information or citations, facilitating acts of academic dishonesty by others, unauthorized possession of examinations, submitting work of another person, or work previously used in another course without informing the instructor, or tampering with the academic work of other students.

- Any violation of academic integrity will be investigated and, where warranted, corrective academic and/or disciplinary action will be taken. For every incident where a penalty is assessed, an Academic Integrity Incident Report form must be filed. The form can be found on the Smeal College Honor and Integrity website: <http://ugstudents.smeal.psu.edu/honor>. This form is to be used for undergraduate courses. The report must be signed and dated by both the instructor and the student, and then submitted to Jeff Sharp, Associate Dean for Undergraduate Education, 202 Business Building.
- **University Policy G-9:**
Once a student has been informed that academic misconduct is suspected, the student may not drop the course during the adjudication process. The Dean of the College (UP) and/or the Chancellor (campuses) or his or her representative is responsible for notifying the Office of the University Registrar when academic misconduct is suspected in a course. Any drop or withdrawal from the course during this time will be reversed. A student who has received an academic sanction as a result of a violation of academic integrity may not drop or withdraw from the course at any time. These drop actions include regular drop, late drop, withdrawal, retroactive late drop and retroactive withdrawal. Any such drop action of the course will be reversed. This drop policy may be superseded in exceptional circumstances (i.e. trauma drop). In these cases, the Office of Student Conduct or the Student Conduct designee will confer with the Dean of the College (UP) or the Chancellor (campuses) or his or her representative to determine if the drop is warranted. (<http://www.psu.edu/oue/aappm/G-9-academic-integrity.html>)
- **Smeal Honor Code:**
We, the Smeal College of Business Community, aspire to the highest ethical standards and will hold each other accountable to them. We will not engage in any action that is improper or that creates the appearance of impropriety in our academic lives, and we intend to hold to this standard in our future careers.



Plagiarism / Copying

All work you submit for grading or academic credit is designed to reflect your knowledge and skill related to the course subject matter. Therefore, unless otherwise indicated, all work submitted is to be done on an individual basis. This includes but is not limited to all exams, quizzes, homework, papers, written assignments, and presentations.

Plagiarism is claiming work as your own that you have copied from another person, whether that other person knows about it or not. This includes copying from web sites without proper source citation and using homework or papers prepared by current or past students whether working as an individual or working in a group / team.

Affirmative Action & Sexual Harassment

The Pennsylvania State University is committed to a policy where all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by Commonwealth or Federal authorities. Penn State does not discriminate against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, gender, sexual orientation, or veteran status. Related inquiries should be directed to the Affirmative Action Office, 328 Boucke Building.

Students with Disabilities

Penn State and the Smeal College of Business welcome students with disabilities to all of its classes, programs and events. The Penn State Office of Disability Services (ODS) in Room 116 Boucke Building provides a vast array of services for students with disabilities according to mandates under Title II of the ADA amendments Act of 2008 and Section 504 of the Rehabilitation Act of 1973. For more information or to meet with a service provider from ODS, contact them at (814) 863-1807 (V/TTY) or visit their website at: <http://equity.psu.edu/ods>

In order to receive consideration for reasonable accommodations, students must contact the ODS, participate in an intake interview, and provide documentation: <http://equity.psu.edu/ods/guidelines>. If the documentation supports the request for reasonable accommodations, ODS will provide an accommodation letter to share with the instructor as early in the course as possible. Adjustments will be made based on the recommendations in the accommodation letter. This process must be followed each semester that accommodations are requested.