Georgia State University

MBA 8622 - CORPORATION FINANCE
Course Syllabus
Fall Semester 2003

Instructors:
L. Ananthanarayanan, G. Brown, C. Hodges, R. Morin, M. Shrikhande,
A. Venkateswaran, A. Mettler (course coordinator)

NOTE: It is your responsibility to read, understand and abide by all of the course information and policies listed below. Failure to do so could result in your failing of this course or of your being administratively withdrawn from the course by your instructor, by the Department of Finance, or by the Robinson College of Business. This course syllabus provides a general plan for the course; deviations may be necessary.

Purpose of MBA 8622:
This course focuses on the practical and conceptual problems associated with the financial management of the non-financial corporation. Topics covered include financial statement analysis, financial forecasting, domestic and international financial markets, the relationship between risk and return including the capital asset pricing model, time value of money, valuation of debt and equity, cost of capital, capital budgeting and project evaluation techniques, and capital structure decisions. For each topic, consideration is given as to how each relates to shareholder value maximization. For purpose of enhancing corporate decision-making skills, students will be exposed to both the theoretical underpinnings of each concept as well as their applications to realistic situations facing the firm.

Course Prerequisites:
MBA 8011 (or Math 1070), MBA 8121 (or ACCT 2101-2102 and FI 3300), ECON 2106; or their equivalents. All prerequisites must have been completed before taking MBA 8622 (cannot be taken concurrently). It is your responsibility to be certain that you have the proper prerequisites for this course. If you do not have the prerequisites for this course, you will be administratively withdrawn, resulting in lost fees. There will be no exceptions to this policy!

Course Coordinator:
E-mail messages concerning any course-related matter should be sent to the course coordinator, Dr. Alfred Mettler, at mettler@gsu.edu
A. COURSE MATERIAL

Required Text:

Corporate Finance: A Focused Approach, by Michael C. Ehrhardt / Eugene F. Brigham, Thomson South-Western, 1st ed. 2003. Additional student resource material can be found on and downloaded from the textbook’s website (click on student resources):
http://www.swcollege.com/finance/ehrhardt/focused/focused.html

Supplemental Workbook:
Lectures in Corporate Finance, Jayant R. Kale and Richard J. Fendler, Simon & Schuster Custom Publishing (1998). This book (available at all GSU affiliated bookstores and priced around $45) is suggested for students with a weak accounting and/or time value of money (i.e. analytical) background. The book also explains in detail how to work the Texas Instruments BA II Plus financial calculator.

MBA 8622 Website (http://www.gsu.edu/~wwwfnc/8622):
An extensive web page has been developed for MBA 8622 and it is highly recommended that students check it out as soon as possible. The website includes, among other things,

a) administrative information (syllabus, e-mail addresses of instructors, final exam schedule)

b) supplemental course material (solutions to eoc-problems, practice THPS, practice final exams)

c) lecture segments (using PowerPoint slides with audio and/or video)

The current web site address is: http://www.gsu.edu/~wwwfnc/8622

Financial Calculator:
It is necessary that you have a financial calculator to use throughout the course and that you bring it to class each Week. Many end-of-chapter problems require complex arithmetic operations, and a financial calculator is necessary to solve these problems efficiently. Recommended financial calculators are the Texas Instruments BA II Plus, the Hewlett Packard 10B or 12C, the Sharp EL 733, and similar models. Approximate price: $30.
B. ATTENDANCE POLICY / ACADEMIC HONESTY

Attendance Policy:
Each student is expected to attend ALL scheduled class meetings for the entire duration of the class meeting. An attendance sign-up sheet will be circulated each class period. It is your responsibility to sign the attendance sheet. If you do not sign the list, you will be considered absent (see the note on academic honesty below). Students arriving late may be permitted to sign the sheet only at the discretion of the instructor.

Upon accumulation of the equivalent of over 3 weeks total absences (i.e. after the equivalent of the 3rd absence), the student will be involuntarily withdrawn from the class by the instructor. That is, any student who is absent from more than the equivalent of three (3) classes will be dropped from the course. Absences include the first week of class regardless of when a student registered for the course. If a student is withdrawn for excessive absences after the midpoint of the grading period, a final grade of WF will be assigned. There will be no exceptions to this policy!

An absence from class for any reason (job conflict, illness, appearance in court, transportation problems, etc.), even if permitted and/or excused by your instructor, will count as one of the class absences against the three week equivalent cumulative limit specified in the previous paragraph.

Academic Honesty:
The Department of Finance adheres strictly to the University's policy on academic honesty as contained in the Academic Regulations section of the University catalog. Any student found copying during exams or quizzes, signing someone else's name to the attendance list, using stored formulas in programmable calculators, using non-authorized formula sheets or other notes during exams, collaborating on and/or copying the time value of money take-home problem set or other take-home assignments, or the like will receive an F for the course and possibly be subject to additional University disciplinary action.

There are no other electronic devices allowed during quizzes and exams besides the ones mentioned on page 2 (financial calculator). This policy excludes the usage of laptops, personal digital assistants (PDA's), text messaging systems and similar devices. If you have any questions about the legality of your calculator, check with your instructor.
C. IMPORTANT COURSE INFORMATION AND POLICIES

Grade Weights:  
- Final Exam: 35%
- Mid-Term Exam: 25%
- Take-Home Problem Set: 15%
- Quizzes, Homework: 10%
- Instructor-Specific Component: 15%

All course grades, once assigned, are final and cannot be changed except in the rare event of a mathematical miscalculation by the instructor.

Exams:  
All exams will be given on the days listed in the course outline. Read the memorandum on pages 7-8 of this syllabus for the MBA 8622 policy concerning attendance for scheduled examinations.

Take Home Problem Set (THPS):  
A take-home assignment will be due on the date assigned by your instructor. Prior take-home problem sets (including some solutions) are posted on the MBA 8622 Webpage.

Quizzes, Homework and/or Project:  
Quizzes (if given by your instructor) may be announced or unannounced and will consist of problems that are similar to end-of-chapter problems in the textbook from any of the chapters covered to date in that section. If you keep up with the daily assignments listed in the course outline and/or announced by your instructor, your chances of solving these problems correctly will be greatly enhanced. Note well that failure to take a quiz due to absence from class (regardless of cause or reason) will result in a grade on that specific quiz of zero - NO EXCEPTIONS! Your instructor may require you to turn in homework and/or course projects. Specific assignments and due dates will be announced in class.

Instructor-specific component:  
These points are allocated at the discretion of the instructor and will vary by class section and semester. This component may be a group project, presentation and/or paper, a spreadsheet-solution, a case study and/or a grade for class participation. Your instructor may also allocate these points to other aspects of the course, such as having both a project and quizzes, or increasing the weight of the mid-term by some percentage. Your instructor will explain this component of your grade in detail during the first week of class.

Grading Policy - Department of Finance:  
In accordance with Departmental policy, for masters level courses (MBA and FI prefixed), it is expected that no more than 35 percent of the students in a given class section will receive a grade of A. The majority of the remaining students are expected to receive grades of B. Those students demonstrating significantly lagging performance shall earn grades of C or lower as appropriate.
D. COURSE OUTLINE (Fall 2003)

Daily assignments, which should be completed before that topic is covered in class, are listed in the third column.

Students are responsible to know and understand the subject matter covered in each textbook chapter, regardless of whether the chapter is listed as a “prepare” chapter or a “read” chapter and regardless of whether that material has been covered in class. Students are also responsible to know how to solve all end-of-chapter problems (for which an answer is listed in Appendix B) and all Self-Test Problems (solutions given in Appendix A) for each textbook chapter listed as a “Prepare” chapter. You do not need to know how to solve end-of-chapter problems in “Read” chapters.

<table>
<thead>
<tr>
<th>Class #</th>
<th>Topics to be covered</th>
<th>Preparation</th>
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</table>
| Class 1  | **An Overview of Corporate Finance and the Financial Environment**  
- Goals of Financial Management  
- Financial Markets and Institutions  
- Cost of Money  
- Term Structure of Interest Rates | - Read Entire Course Syllabus  
- Prepare Text Chapter 1                                                                                                                                                                                                                                                                       |
| Class 2  | **Financial Planning and Forecasting Financial Statements**  
- Overview of Financial Planning  
- Sales Forecast  
- Financial Statement Forecasting  
**Financial Statements, Cash Flows and Taxes Analysis of Financial Statements**  
(Self-study chapters, corresponding lecture segments available on the course website) | - Prepare Text Chapter 11  
- Prepare Text Chapters 9 and 10  
- Lecture segments on course website                                                                                                                                                                                                 |
| Class 3  | **Time Value of Money**  
- FV/PV of Single-Period Cash Flows  
- FV/PV of Multi-Period Cash Flows | - Read Handbook of your Calculator  
- Prepare Text Chapter 2                                                                                                                                                                                                                                                                       |
| Class 4  | **Time Value of Money**  
- Multiple Compounding and Discounting  
- Amortized Loans | - Prepare Text Chapter 2                                                                                                                                                                                                                                                                                                                                 |
| Class 5  | **Risk and Return**  
- Expected Rate of Return  
- Standard Deviation of Returns  
- Relationship between Risk and Return  
- The Concept of Beta | - Prepare Text Chapter 3                                                                                                                                                                                                                                                                                                                                 |
| Class 6  | **Risk and Return**  
- Measuring Portfolio Risk  
- The Capital Asset Pricing Model (CAPM) | - Prepare Text Chapter 3                                                                                                                                                                                                                                                                                                                                 |
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<tr>
<th>Class #</th>
<th>Topics to be covered</th>
<th>Preparation</th>
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<tbody>
<tr>
<td>Class 7</td>
<td>Mid Term Exam (based on chapters 1, 2, 3, 9, 10, 11)</td>
<td>- Text: Corporate Finance: A Focused Approach (Ehrhardt/Brigham), 1st ed. 2003</td>
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<td>Class 8</td>
<td>Bonds and Their Valuation</td>
<td>- Prepare Text Chapter 4</td>
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<td>- Terminology and Characteristics of Bonds</td>
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<td>- Bond Valuation</td>
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<td>- Bond Yields</td>
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<td>- Interest Rate Risk</td>
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<td>Class 9</td>
<td>Stocks and Their Valuation</td>
<td>- Prepare Text Chapter 5</td>
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<td>- Terminology and Characteristics of Stocks</td>
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<td>- Common Stock and Preferred Stock</td>
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<td>- Stock Valuation Models</td>
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<td>- Efficient Markets Hypothesis</td>
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<td>Class 10</td>
<td>The Cost of Capital</td>
<td>- Prepare Text Chapter 6</td>
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<td>- Cost of Debt</td>
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<td>- Cost of Equity</td>
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<td>- Weighted Average Cost of Capital</td>
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<td>Class 11</td>
<td>The Basics of Capital Budgeting</td>
<td>- Prepare Text Chapter 7</td>
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<td>- Capital Budgeting Decision Rules</td>
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<td>- NPV versus IRR</td>
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<td>- Independent and Mutually Exclusive Projects</td>
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<td>Class 12</td>
<td>Cash Flow Estimation and Risk Analysis</td>
<td>- Prepare Text Chapter 8</td>
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<td>- Cash Flow Estimation</td>
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<td>- Identifying Relevant Cash Flows</td>
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<td>- Evaluating Capital Budgeting Projects</td>
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<td>Class 13</td>
<td>Cash Flow Estimation and Risk Analysis</td>
<td>- Prepare Text Chapter 8</td>
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<td>- Analysis of Replacement Projects</td>
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<td>- Project Risk Analysis</td>
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<td>- Project Risk and Capital Budgeting</td>
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<td>Class 14</td>
<td>Capital Structure Decisions</td>
<td>- Prepare Text Chapter 13</td>
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<td>- Business Risk and Financial Risk</td>
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<td>- Estimating the Optimal Capital Structure</td>
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<td>- Capital Structure Theory</td>
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<tr>
<td>Class 15</td>
<td>Comprehensive Review and Synthesis</td>
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<tr>
<td>Saturday, Dec 13</td>
<td>Final Exam (08.00 – 10.00 am)</td>
<td>Downtown / North Metro Alpharetta (exact locations to be announced)</td>
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MEMORANDUM

To: Students Enrolled in MBA 8622
From: Chairman - Department of Finance
Semester: Fall 2003
Subject: MBA 8622 course policies

a) Attendance for Final Exam

The Department of Finance schedules common, Department-wide final examinations in MBA 8622. The Final Exam is scheduled for Saturday, Dec 13, 2003, 8.00-10.00 am

Variances granted from the common final examination date are undesirable for obvious reasons. Intrinsically, early examination exposes any student to question, even if innocent, when cheating is discovered. The penalties for cheating are severe; consult GSU’s Graduate Bulletin for specific university regulations. Core courses are offered each semester. Therefore, if you foresee a personal conflict with the examination date please register for the course in a later semester. Only the Department Chairman grants variances for the final examination date, permission granted by others will not be honored.

Guidelines for requested variance

1. Requests for variance must be received in the Department's office by September 30, 2003. This lead-time will allow for course withdrawal in the event of the denial of a variance request. The last day to withdraw and possibly receive a "W" is Oct 17th, 2003.

2. A letter must be written to the Chairman and must be supported by additional documentation regarding the student's conflicting obligation. Job conflicts are to be supported by a letter from the student's supervisor on company stationary. Variances for students involved in the wedding of an immediate family member will be considered. Others will not. Copies of a wedding invitation and statement of kinship must support those considered.

3. The letter to the Chairman should include your social security number, telephone number, address, name of instructor, and course section. It should be mailed or faxed to the Chairman of the Department of Finance, Robinson College of Business, MSC 4A1264 33 Gilmer Street SE Unit 4, Atlanta GA 30303-3084 (Fax: 404 651 2630).

4. If a variance request is approved, the Department will determine the date and site of an alternate examination. It is Departmental policy that an alternate examination will be scheduled at an earlier rather than a later date.
b) Attendance for Scheduled Examinations:

The GSU Graduate Catalog states: "...Students must be present for announced quizzes, laboratory periods, or final examinations unless the reasons for the absences are acceptable to the professors concerned...". A student who cannot take the scheduled mid-term examination must comply with the following guidelines:

1. A formal request for permission to be absent from the mid-term examination should be submitted to the instructor in advance of the examination, if possible. If circumstances preclude an advance request, a formal request for an excused absence must be submitted to the instructor within seven (7) days of the date of the missed examination.

2. A formal request for advance permission to be absent or to excuse an absence that has already occurred must take the form of a letter to the instructor supported by additional written documentation of the conflicting situation that interferes with attendance at the examination. For example, job conflicts are to be documented by a supervisor's letter on company stationary; military reserve conflicts are to be documented by a copy of orders to duty; health conflicts are to be documented by the written statements of a health professional; conflicts because of attendance to funerals or weddings are to be documented by copies of obituaries or wedding invitations.

3. No "makeup" examinations during the semester will be given in this course. If any examination is not taken as scheduled and if the absence is excused, then the grade weight of the missed examination will be transferred to the final examination.

4. An examination score of 0 will be given if the instructor does not permit or excuse an absence from the exam discussed above. Absence from any examination, even when permitted or excused will count as one of the class absences against the limit specified in the previous section on "Class Attendance."

c) Withdrawal:

Grades at withdrawal are determined in strict compliance with policies stated in the Graduate Catalog. A grade of "W" indicates that a student, doing passing work, was permitted to withdraw from the course. A grade of "WF" indicates that the student

1. voluntarily withdrew from a course before the midpoint for the grade period while doing failing work,
2. was involuntarily withdrawn from a course before the midpoint of the grading period while doing failing work,
3. voluntarily withdrew from a course after the midpoint of the grading period and was not awarded a hardship withdrawal, or
4. was involuntarily withdrawn from a course after the midpoint of the grading period and was not awarded a hardship withdrawal.

d) Examinations:

Material from the text chapters (both preparation chapters and reading chapters), end-of-chapter problems, supplemental problems, cases, and the prerequisites may be covered on the exams, whether or not specific coverage in class has occurred.
**Student Statement**
(to be signed and turned in to your instructor no later than Friday, September 10th, 2003)

I confirm that

- I have read and that I understand the syllabus for MBA 8622
- I am especially aware of the Memorandum of the Chairman as outlined on p. 7-8, regarding a) Attendance for Final Exam, b) Attendance for Scheduled Examinations, c) Withdrawal and d) Examinations.

Student Name (please print): ..........................................................

SSN: ..........................................................

Instructor: ..........................................................

Signature of Student ___________________________ Date _______________