Graduate School of Management
University of California at Davis

MGT/B/P 260: Corporate Finance
Spring 2020 – SYLLABUS

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Course Objective: This is an advanced course in corporate finance, with an aim to extend your knowledge of the theory and practice of corporate finance. The course will provide you with a set of analytical tools necessary to answer the most important questions related to firms' financing and investment policies. We will focus in particular on the valuation of investment projects and firms, as well as the valuation of more complicated securities often found on firms' balance sheets. The course will study valuation techniques in applied settings, study a variety of investment decisions such as the acquisition of another firm, and analyze valuation issues for firms in financial distress. We will also study how firms raise financing, and the security design issues associated with raising capital.

Prerequisites: I will assume that you have familiarity with the material covered in the core finance course, as well as the basics of accounting and statistics.

Materials: There is no required textbook for this course. A good source for background reading is a standard textbook in corporate finance, such as *Corporate Finance* by Berk and DeMarzo, or any similar textbook. There is a textpak containing readings and cases.

Grading: The course grade will be based on the following:
Exam I	32%
Exam II	32%
Case memos	20%
Online modules	16%

Class participation: Please be sure you come to class prepared for the class discussion. In light of the current environment, I have eliminated explicit grading of participation, recognizing the students may have to miss class from time to time for any number of reasons. Nevertheless, it is still important to be prepared, in particular for the cases. Given you have the cases to read at your disposal, I will spend minimal time providing the relevant background information on each case.

Cases: There will be 7 cases discussed in class, although this may change based on how we move through the syllabus. A series of questions for each case will be available on Canvas which are designed to guide your thinking and prepare you for in-class discussion. For **4** of the cases, you will be required to provide a 2-page (max) memo on these cases. These memos are to be turned in electronically prior to the *start* of the class session in which the case is to be discussed. Your memo should *succinctly* state the major problem faced by the managers in the case and

offer a course of action. Whatever course of action you suggest should be supported by a persuasive argument and should be tailored to the situation. Try to include any required calculations to arrive at your conclusions. If you include any tables (you may choose to do so, but it is not necessary), I should be able to understand them and they should be referenced in the text. Please keep these to a minimum, not to exceed an additional 2 pages. If there is a group of students you know and want to interact with online, you are welcome to work together on the cases. If you do work together, please turn in a *single* copy of the case memo, with everyone's *first and last* names on it. Additional guidelines are available on the course website. *Every student/team must do a memo for the "Marriott Corporation" case*. For the other 3 memos, you may choose for which cases you want to do a write-up, but please note that I expect everyone to read and be prepared to discuss every case.

Online content/modules: I am going to aim to provide some portion of the class content *asynchronously*, meaning through online material – videos, notes, and assignments. This is designed to allow students to engage with the material when most convenient, as well as reduce the challenges associated with maintaining focus and attention for the large blocks of time our regular classes take. I will try to provide online assessments of the material, for which I will give you credit on a pass/fail basis – if you view the material and complete the assignment, you pass! I will provide more information about this on the first day of class.

Regrading of Exams/Assignments: Any requests for regrading of exams or assignments must be submitted in writing **within one week** from the date the exam or assignment is returned. Requests for regrading must be very specific. Please be aware that your score may rise or fall as a result of regrading.

Code of Academic Conduct: We will abide by the school's code of academic integrity. Please note that while you are encouraged to work as a group for the assignments, all examinations are to represent individual work! Note that working as part of a group implies that you are an active participant and fully contributed to the output produced by that group. Here is the link to the university's code of academic conduct: **http://sja.ucdavis.edu/files/cac.pdf**

A final note: We are all adjusting to a new world at the moment, and a "new normal". I know none of you signed up thinking of this as an online program, and I am not an expert on distance learning – I am picking it up as we go along! So I will ask that we all be patient with each other, work hard to accommodate everyone's needs, and be supportive. In turn, I will try to do everything I can to make this as smooth as possible, recognizing that there may be some hiccups. I would like to ask every one of you to please don't hesitate to reach out to me, even if it is primarily to let me know when one class session went particularly poorly, and/or if you have any suggestions for how to make it better. I also want to ask for your patience if the syllabus winds up changing slightly as the course goes along. Any changes will be done primarily to reflect what I think is working better, and they will be done with an eye toward not increasing your overall workload.

Tentative course schedule: Please note that the schedule of topics is subject to change. Readings marked with a "*" are required and will be in the coursepack. The chapters from Berk and DeMarzo are background reading for anyone who would like more information on the subject, but please note that you are only responsible for the material explicitly covered in class unless otherwise noted in class.

Class session		Topic		Readings
Session 1		Introduction / Estimating relevant cash flows		* "Delusions of Success - How optimism undermines executive decisions", Harvard Business Review, July 2003.
		Valuation through discounted cash flow		Berk and DeMarzo, Ch. 2 ("Introduction to Financial Statement Analysis")
Session 2		Cost of capital / Risk-return tradeoff - What are we trying to measure?		Berk and DeMarzo, Ch. 12 ("Estimating the Cost of Capital")
		Case: Ocean Carriers (HBS 9-202-027)		
Session 3		Comparing valuation methods / Using relative valuation		* "Corporate valuations and market multiples" (HBS, 9-206-039)
		Case: Marriott Corporation (HBS 9-298-101)		
Session 4		Changing capital structure: Adjusted Present Value		* "Using APV: A better tool for valuing operations," Harvard Business Review, May-June 1997.
		Case: Kohler Co. (HBS 9-205-034)		
Session 5		Exam I		
		Real options I		Berk and DeMarzo, Ch. 22 ("Real Options")
Session 6		Real options II		
		Case: Arundel Partners (HBS 9-292-140)		
Session 7		Corporate distress and bankruptcy / Workouts		Berk and DeMarzo, Ch. 16 ("Financial Distress, Managerial Incentives, and Information")
		Case: Restructuring JAL (HBS 9-214-055)		

Session 8		Acquisitions - Valuing synergies	* Note: Valuing a business acquisition opportunity (HBS 9-289-039) * Discussion of WACC calculation for an acquisition
		Case: Stanley Black & Decker (HBS 9-211-067)	Berk and DeMarzo, Ch. 28 ("Mergers and Acquisitions")
Session 9		Means of payment in acquisitions	* Mergers and Acquisitions: Value creation and deal consideration (available on Canvas)
		Case: Mellon Financial and the Bank of New York (HBS 9-208-129)	
Session 10		Raising financing / Security design	
Exam period		Exam II	