# FINANCE 40153

# ADVANCED Financial Management

### Fall 2012

1. ***General Course Information***

**Course Instructor**: John Bizjak

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**Office Hours**: Tuesday/Wednesday 3:00 p.m. – 4:30 a.m. or also by appointment

# **Class Days, Time, Location**: Section 015 T/TH 9:30 a.m. – 10:50 a.m.

# Dan Rogers Hall, Room 134

# Section 035 T/TH 11:00 a.m. – 12:20 p.m.

# Dan Rogers Hall, Room 134

**Course Webpage:** [**http://sbuweb.tcu.edu/jbizjak/**](http://sbuweb.tcu.edu/jbizjak/)

**Course Prerequisites**: FINA 30153 and FINA 30203 and credit for, or concurrent enrollment in FINA 30233, and must be a Business major.

**Course Description**: This course is designed to integrate a student’s understanding of key corporate finance concepts and tools. The material in the course covers some of the fundamental topics in corporate finance in some detail, and is designed to give you a “hands-on” experience using lectures and established business cases.

The course is divided into four broad content categories including: financial statement analysis, cost of capital, financing and payout strategies, and valuation of business enterprise. In the “real” world none of these areas exist in isolation for the corporate manager or outside analysts. Changes in policy on one dimension, invariably affect choices in another. In fact, it can be quite difficult to categorize activities cleanly into just one of these subsets.

The goal of the course is to provide students with a framework that will enhance their ability to analyze complex financial problems faced by real-world managers, CFOs, and analysts.

The course is a “hybrid” class which means that we will alternate lectures with cases covering specific lecture topics. For some cases, the course will require significant work outside of class. This work is to provide students with experiences similar to those faced by a corporate manager/analyst in that information is often imperfect and data is often vague or ambiguous. To get the most out of the course you must be prepared to discuss each case even if you are not specifically assigned to turn in any assignment with the case. Much of the course also involves open discussion of the issues in class. You can expect to be challenged to defend your point of view and to articulate your position. Your attendance at every class meeting is expected and your input is required.

Cases can be frustrating. You will find that the solutions that you generate before class will be incomplete or incorrect in some respects. If that were not true then the cases would not be challenging enough for this to be an important learning experience. It is essential, however, that you generate your own solutions and that you sometime make mistakes or come up with the incorrect strategy to a problem. Making mistakes, seeing what they are, and realizing a better approach, are all key aspect of the learning experience and an essentially part to eventually understanding complex ideas and issues.

I suggest the following approach when you have been assigned a case that we will cover in lecture. Study the case entirely on your own. Then develop your own ideas to resolve the issues. You can then follow up with a discussion with classmates or group members about how they approach the problem.

**Seating Chart:** In order for me to get to know each of you (and also as a means to ask you questions during lecture) I will prepare a seating chart for the class. You can select where you want to sit but I suggest you sit by group members since at numerous times throughout the semester you will be answering case questions as a group.

**Textbooks Required:** Ross, Westerfield and Jaffe: Corporate Finance, 9 ed., Irwin, 2010.

Lecture notes, handouts, and other material are available on the Internet site for the course: <http://sbuweb.tcu.edu/jbizjak/>

We will be doing several cases over the course of the semester. The cases will be either from Harvard or the Darden business school at the University of Virginia. I will provide more detail about which particular cases you need along with a link where you can obtain the cases.

The textbook also has a web site with additional material such as quizzes, Powerpoint slides, and spreadsheets you can use for the end-of-chapter problems. These are available at:

<http://highered.mcgraw-hill.com/sites/0073382337/student_view0/index.html>

**Calculator:** You must have a financial calculator for this course in particular for the exams. I will be using an HP 10bII. You may use other models of financial calculators such as a Texas Instruments BAII Plus Professional. **PDAs, however, are not allowed.** If you are using an HP 10bII I can show you how to use some of the features you will need for this course. If you are using another type of calculator you will need to consult your instructor’s manual to learn how to use the financial features. There is a link on the course web page which has instructions on how to use the features for a variety of different financial calculators. I will not spend any time in class reviewing how to use the calculator so you are responsible for knowing how to use the calculator on exams.

**Class Conduct:** You may not use a laptop during class, as web surfing and handling email during class is disruptive to other students in class.  Additionally, it is difficult to fully participate in the class if you are using your computer for purposes other than this class.

Please turn off your cell phone ringer during the class period. Texting, checking your email, browsing the Internet, or any other similar activity during class is prohibited. If you use your lap top or cell phone during class, you will be penalized in your participation points.

**Punctuality**: Class will start on time each class period. I would expect you to be courteous to your classmates and be on time each class period.

**Homework.** End of chapter problems from the Ross, Westerfield and Jaffe text book are assigned as homework. **The homework problems will not be turned in and graded.** I recommend that you take the time to do these problems. I anticipate that you will find the homework problems helpful in the exams. Solutions to the end of chapter problems will be made available on the course web page. In addition to the end of Chapter problems I will assign some additional problems to help you reinforce the concepts we cover. Try and avoid looking at the solutions before you try the problems. We will not spend a lot of time going over homework problems during class time. The homework problems are to help you learn the material and to prepare for the exams.

1. ***Exams***

**Exams**: There will be four in-class exams over the semester. You will be able to drop a score from one of the first three exams. **The score from the last exam given in class will not be dropped.** This means that you can drop the lowest score from one of the first three exams but **you must take the last exam or you will receive no score (i.e., a zero on the exam).**

The exams will cover the material presented in lecture and in the text since the previous exam. Test questions **will not necessarily be exactly** like the problems presented in class and the textbook but will encompass the concepts learned in the course. Being able to apply the concepts learned in situations different than lecture and text problems demonstrates mastery of the subject material.

Because you will be allowed to drop the lowest score on one of the first three exams, other than for University-sponsored commitments make-up exams will not be given.

The dates for the four exams are:

Exam 1 September 11th

Exam 2 October 11th

Exam 3 November 8th

Exam 4 December 4th

**Exam Policies:**

One 4” x 6” note card will be allowed on each exam. **Your note card must be handwritten.** You may place notes, formulas, etc. on it. Do not bring anything larger than a 4” x 6.” Measure your card to make sure it is 4” x 6”. If your note card violates the requirements, you will not be allowed to use it.

You will not be allowed to use a PDA with a calculator on exams. You are not allowed to share a calculator or note card. No cell phones or computers will be allowed on the day of the exam.

**Final Exam**: In addition to the three in-class exams discussed above there will be a final exam. The final exam is the exit exam. As part of the academic accreditation process, TCU Finance majors are required to take an Exit Exam in Advanced Financial Management (FINA40153). The test score will count 10% of your Advanced Financial Management course grade. To prepare for the test, a Study Guide for the Exit Exam can be found at this link: <http://neeley.tcu.edu/Academic_Departments/Finance/Areas_of_Study.aspx>. You should use the Study Guide to begin preparing for the exam as you take your finance classes.

1. ***Case Assignments***

**Group Assignments:** There are a number of assignments for the course that will be turned in and graded as a group. After the first week each student in the class will be assigned to a group. The groups will consist of between 3 and 4 individuals. The group assignments will be random. At the end of the semester you will be given a form to evaluate the contribution of each member in the group that will affect the final grade each individual receives for the group assignments. **The information provided on the team evaluation form is confidential and will not be shared with your teammates.**

**General Information about the Cases:** We will cover several cases both in lecture and as a final group assignment. The cases will be primarily from either Darden or Harvard but I will also use some additional cases from other sources. I will provide more detail in class and on the course web site on what particular cases you need as the course progresses.

**Case Assignments (As Part of Lecture):** We will cover several cases throughout the quarter that will be part of the discussion covering different topics and will also factor into your final grade. The cases will be primarily from either Darden or Harvard but I will also use some additional cases from other sources. I will provide more detail in class and on the course web site on what particular cases you need as the course progresses.

I will assign 5 cases to each group during the semester. For each case assigned to a group the group will be required to submit a written case report. The case reports should address the specific questions I will post pertaining to each particular case. Each write-up should contain brief written answers to each question supported by calculations if necessary. Note that part of the course participation grade will depend on answering particular questions I raise to you about the cases you are assigned.

Students not assigned to cases should also be prepared to answer the questions regarding the case questions but will not be required to turn in written answers. In other words, you may be called on to answer questions even if your group is not assigned to the case in that particular lecture. Part of the course grade is based on participation and so you should be prepared to answer questions presented to you as part of each case. I do not expect you to be able to completely and perfectly address each discussion question. What I am looking for is a thoughtful effort to apply a concept we have learned in the course in the context of a particular case.

**Group Case Assignment (End of the Semester Case):** At the end of the semester each group will be required to complete and submit a case assignment. The case(s) will be comprehensive and will involve a number of different topics that we will cover over the term. The final case assignment is a valuable tool in synthesizing and reinforcing the concepts that we will have covered in the class and will be an important part of your final grade.

I will provide more information about how to prepare the case write up and presentation for the final case during the semester.

***Grading Procedures:*** Your overall course grade will be comprised of grades on i) three exams, ii) assigned group cases and corresponding write-up, iii) class participation, iv) the final group case, and v) the exit exam. Below are the allocations for each assignment.

Grading

|  |  |
| --- | --- |
| Exams | 50% |
| Group Case Reports | 20% |
| Class Participation | 5% |
| Final Case (TBA) | 15% |
| Exit exam | 10% |
| Total | 100% |

Your letter grade for the course will be determined by the standard percentage cutoffs:

100 – 90 (A); 89 – 80 (B); 79 – 70 (C); 69 – 60 (D); 59 – 0, F.

If I do give a particularly hard exam or case I may choose to adjust the grades accordingly. Yes, this means there may be a curve. This is typically, but not always, the case.

1. ***Other Relevant Information***

**Statement on Disability Services at TCU**: Texas Christian University complies with the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973 regarding students with disabilities.  Eligible students seeking accommodations should contact the Coordinator of Services for Students with Disabilities in the Center for Academic Services located in Sadler Hall, 11.  Accommodations are not retroactive, therefore, students should contact the Coordinator as soon as possible in the term for which they are seeking accommodations. Further information can be obtained from the Center for Academic Services, TCU Box 297710, Fort Worth, TX 76129, or at (817) 257-7486.

Adequate time must be allowed to arrange accommodations and accommodations are not retroactive; therefore, students should contact the Coordinator as soon as possible in the academic term for which they are seeking accommodations.  Each eligible student is responsible for presenting relevant, verifiable, professional documentation and/or assessment reports to the Coordinator.  Guidelines for documentation may be found at [http://www.acs.tcu.edu/DISABILITY.HTM](https://mailssl.is.tcu.edu/exchweb/bin/redir.asp?URL=http://www.acs.tcu.edu/DISABILITY.HTM).

Students with emergency medical information or needing special arrangements in case a building must be evacuated should discuss this information with their instructor/professor as soon as possible.

**Academic Misconduct (Sec. 3.4 from the Student Handbook):** Any act that violates the academic integrity of the institution is considered academic misconduct. The procedures used to resolve suspected acts of academic misconduct are available in the offices of Academic Deans and the Office of Campus Life. Specific examples include, but are not limited to:

* Cheating: Copying from another student’s test paper, laboratory report, other report, or computer files and listings; Using, during any academic exercise, material and/or devices not authorized by the person in charge of the test; Collaborating with or seeking aid from another student during a test or laboratory without permission; Knowingly using, buying, selling, stealing, transporting, or soliciting in its entirety or in part, the contents of a test or other assignment unauthorized for release; Substituting for another student or permitting another student to substitute for oneself;
* Plagiarism: The appropriation, theft, purchase or obtaining by any means another’s work, and the unacknowledged submission or incorporation of that work as one’s own offered for credit. Appropriation includes the quoting or paraphrasing of another’s work without giving credit therefore.

## Collusion: The unauthorized collaboration with another in preparing work offered for credit.

**Netiquette Communication Courtesy Code:** All members of the class are expected to follow rules of common courtesy in all email messages, threaded discussions and chats. If I deem any of them to be inappropriate or offensive, I will forward the message to the Chair of the department and the online administrators and appropriate action will be taken, not excluding expulsion from the course.

**TCU Campus Resources for Students**: Many resources exist on the TCU campus that may be helpful to students: Mary Couts Burnet Library (257-7117); Center for Academic Services (257-7486, Sadler Hall. 11); the William L. Adams Writing Center (257-7221, Rickel Bldg. 244); Student Development Services (257-7855, Student Center Rm. 220); and University Ministries (257-7830, Student Center Rm. 111).

**Email Notification:** ***Only the official TCU student email address will be used for all course notification. It is your responsibility to check your TCU email on a regular basis.***

1. ***Other Interesting Reading (NOT REQUIRED)***

Students often ask me for recommendations on interesting reading outside the course that is relevant to both business and finance. The list below contains some of those selections. None of these will be are required or will be covered in the course.

Liars Poker, by Scott Lewis, 1990. This is a very entertaining and interesting look at life in a large successful Wall Street investment bank (Salomon Brothers). A must read for anyone interested in becoming involved in investment banking. Getting a little old but still relevant.

Barbarians at the Gate, by Bryan Burrough and John Helyar, 1990. An entertaining and insightful look at life in the world of high stake investment banking and corporate finance. The authors provide a probing and in-depth look at the leveraged buyout by Kohlberg, Kravis, and Roberts of RJR/Nabisco.

Against the Gods, by Peter Bernstein, 1996. An interesting historical examination of the role risk has played in society and the tools that we have developed to deal with risk.

When Genius Failed: The Rise and Fall of Long-Term Capital Management, , by Roger Lowenstein, 2000. This book chronicles the rise and, more importantly, fall of Long-Term Capital Management. The collapse of Long-Term Capital Management sent shock waves through financial markets and had the potential to lead to a global financial crisis.

The Accidental Theorist and Other Dispatches from the Dismal Science, by Paul Krugman, 1998. A series of short essays that provide insight and an interesting perspective on the field of economics. Having a good understanding of economics is useful for any business major.

Freakonomics, by Steven Levitt and Stephen Dubner, 2005. An interesting look at the discipline of economics as it is applied to interesting personal and social issues.

The Black Swan: The Impact of the Highly Improbable, by Nassim Taleb. An interesting look at how we should think about risk and the shortcomings of economics and statistics of dealing with highly unlikely events.

Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System--and Themselves, by Andrew Sorkin. Provides a detailed account of the impact the crisis had on the collapse of the banking sector and how the government responded to try and calm the financial markets.

The Big Short: Inside the Doomsday Machine, by Michael Lewis. Lewis exams some of the causes of the financial crises along with providing an account of several hedge funds who anticipated the crisis and profited from the market collapse.

Thinking Fast and Slow, by Daniel Kahneman. Kahneman won the Nobel Prize in economics for his insights into how cognitive biases in the decision making process affect the decisions we make. His research has important implication for the study of economics.