Proposal for a New Graduate Course

Department: School of Business; Dept. of Economics and Finance
Graduate Program: Master of Business Administration

Course Number & Title: MBAD 517 - Advanced Corporate Finance
Total hours/week: 42 hours/ 7 hours per week for 6 weeks
Number of Credits: Lectures: 3 Lab: 

Will this course be cross-listed with an undergraduate or other graduate course? □ YES ☑ NO
If yes, please complete an attach to this proposal a Permission to Cross-List a Graduate Course form.

Course will first be offered: Fall 2010

Catalog description (Please limit to 50 words):
This class is designed to provide a framework for understanding how corporate financial analysis is an important aspect of strategic decision making and the advantages/limitations of different financial theories with respect to their practical application.

Prerequisites (or other restrictions)
MBAD 502 Accounting Issues for the Business Manager and MBAD 503 Financial Management

Rationale/Justification for course (consider the following issues):

a. What are the goals and objectives of the course?
   Please see attached syllabus

b. How does the course support the mission statement of the department and the organizing principles of the graduate program?
   Please see attached

Are other departments affected by this course? □ YES ☑ NO
(Please attach letters of support from the chairs of each department indicating the Department has discussed and supports the proposal.)

Is this course part of a joint program? □ YES ☑ NO
If yes, at what institution?

Method of teaching: Lecture, case study, oral presentation, written analysis

If more space is needed for any section, please attach additional sheets to this form.

November 2007
Expected changes

a. Address potential enrollment pattern shifts in the Department or University-wide as it relates to the offering of this course.
   New program with new students anticipated

b. Address potential shifts in staffing of the departments as it relates to the offering of this course.
   New Finance Assistant Professor will be requested in year two to teach MBA classes

Requirements for additional resources made necessary by this course. (Note: course requiring additional resources will need special justification.)

a. Staff  Adjunct instructor for the introduction to finance course (FINC 303)

b. Budget 2,500

c. Library None

Attach course syllabus, reading list, or any additional documentation that can help the committee evaluate this proposal. A syllabus is mandatory.

Signature of Program Director:  

Signature of Department Chair:  

Additional Chair’s Signature*:  

Signature of Schools’ Dean:  

Signature of Additional Schools’ Dean Signature*:  

Signature of the Provost:  

Signature of Budget Director**:  

*For interdisciplinary courses.  **Business Affairs Office

Signature of Chair of the Faculty Committee on Graduate and Continuing Education  

Signature of Chair of Grad Council:  

Signature of the Faculty Secretary:  

If more space is needed for any section, please attach additional sheets to this form.
Rationale/justification attachment:

b.

The course will support the College of Charleston and School of Business’ MBA mission and learning goals. The learning goals include the following:

**Goal 1:** Innovation

**Objective 1:** Students will learn how to think innovatively with respect to modeling and analyzing unique financial issues such as tax shelters and recent changes in accounting regulation. The need to evaluate existing financial innovation will heighten their awareness of advanced financial products and evaluation methods that enable firms to operate more efficiently and effectively.

**Goal 2:** Ethical Awareness

**Objective 2:** Students will recognize and be able to appraise ethical dilemmas involved in business decisions and competently engage in discourse aimed at resolution of these dilemmas through utilizing relevant discipline specific knowledge.

**Goal 3:** Global Awareness

**Objective 3:** Students will recognize and examine the global implications of business decisions while evaluating and integrating innovative applications utilizing the relevant discipline specific knowledge.

**Goal 4:** Leadership

**Objective 4:** Leadership within the financial industry is increasingly being highlighted due to the recent crisis that caused a stock market and housing industry downfall. The course will challenge students to improve their leadership skills by requiring them to work effectively in teams, to discuss business planning, and to complete business case studies. The course will incorporate theoretical leadership theory into our discussions of financial evaluation.

**Goal 5:** Financial Theoretical Cognitive Knowledge

**Objective 5:** To learn a non-theoretical, practitioner-based methods to make strategic decisions with corporate financial analysis theory and tools. The course will increase students’ analytical skills by having them engage in problem solving exercises and case analyses. The course will also have the students evaluate financial decisions within an international context by focusing on how exchange rates, interest rate risk, and country-specific risk will impact a valuation analysis. Additional information regarding specifics of the course can be found in the attached syllabus.

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November 2007
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OFFICE HOURS:

With the varied work schedules of many students, fixed office hours are generally inconvenient for students. As a result, I have no set office hours and I have provided my home telephone number. If you would like to meet with me, let me know and we will arrange a mutually satisfactory time. For some students, telephone “meetings” are easier. To this end, you may call me at home at reasonable hours (i.e., before 10:00 p.m.).

COURSE PREREQUISITE: MBAD 502 Accounting Issues for the Business Manager and MBAD 503 Financial Management

The following Textbooks must be purchased:

Corporate Valuation: A Guide for Managers and Investors, Phillip R. Daves, Michael C. Ehrhardt and Ronald E. Shriever, Thomson South-Western

If more space is needed for any section, please attach additional sheets to this form.
Financial Analysis with Microsoft Excel, Mayes and Shank, Thomson South-Western

Financial Management, Brigham and Ehrhardt, Thomson South-Western

Required Materials:

1. Students will receive several handouts throughout the term and there will be a copying charge to cover the cost of these handouts. The charge will be based on the actual cost of copying, but will not exceed $10.00. You will be notified of the exact amount during the last week of class. Failure to pay the copying charge will result in a grade of F for the course.

2. Articles from the Library.

COURSE DESCRIPTION:

This is a course that offers an overview of capital budgeting, working capital management, and valuation for publicly traded corporations and smaller privately held companies. The class will explore how financial analysts within corporations make decisions through the analysis of Harvard Business School cases, problems, and a written team valuation analysis. The techniques include incremental cash flow analysis as well as an in-depth written paper. In this written paper, students will learn how to properly apply the technique to real-life situations that enable them to consider market imperfections such as taxes, information asymmetries, and conflicts of interest. The class is also appropriate for students interested in entrepreneurship, small company management, or lending to or investing in small venture and post-venture firms. The course discusses valuation and the successive stages of private equity financing, private debt financing, and “harvesting” through a merger or sale, a restructuring, or an IPO.

COURSE RATIONALE:

The intent of this course is to analyze the financial issues that affect entrepreneurial investment. Entrepreneurial investments, high-risk/high-reward opportunities, are often associated with small and growing ventures. The class also goes beyond start-ups and early stage investment situations. Entrepreneurial opportunities also occur in various forms of corporate restructuring such as leveraged buy-outs and work-outs. Several guests from the real world of entrepreneurial finance will attend classes to offer students the benefit of their experience and observations. The course should be useful to those seeking careers in venture capital, private equity investing, distress investing, and investment management or in senior management positions of entrepreneurial corporations.

COURSE OBJECTIVES, COMPETENCIES AND MEASURABLE OUTCOMES:

If more space is needed for any section, please attach additional sheets to this form.
1. To be able to effectively use the following tools of financial analysis to perform valuations for a start-up business plan that each student will create: cash flow statements, financial ratios, common-size statements, cost-volume-profit analysis, sustainable growth analysis, case budgets, and proforma financial statements.

2. To explain how to forecast sales and capital expenditures using triangulation.

3. To create proforma financial statements for five years and analyze the projected performance.

4. To describe how to use cost-volume-profit analysis to answer questions about your business.

5. To develop critical thinking skills by completing oral and written team assignments.

6. To incorporate analyses of real world publicly traded corporations by writing a business plan and financial feasibility study.

7. To evaluate a firm’s performance from a global and domestic perspective.

8. To analyze financial decisions from different ethical perspectives.

CASES:

I have assigned a case for each major topic of the course. These cases provide an application of the theories presented in the readings. I will call on groups to discuss certain aspects of each case, so be prepared to discuss anything about every case. Your grade on “Case Discussions” will be a group grade based on how well your group contributes to the understanding of the case by the class. I will assign you to a group of four during the first week of class, which will stay together for the entire semester. Your group should come prepared to discuss each case, which means an analysis of the issues, made more insightful by an analysis of numbers and a written report. I recommend compiling a neat, concise set of notes for your group to support your discussion in class.

Case analysis will involve building Excel models and conducting sensitivity analysis to assumptions in support of the final recommendation. I require students to work in groups to get ready for class. Therefore, attendance and participation are an essential part of the learning process for this course. Everyone is expected to participate in class. If you have a compelling reason for missing a class, you should inform me by e-mail.

HOMEWORK:

Homework assignments will be assigned for each chapter. Each should be fully understood prior to the test. Not all of it will be collected (with the exception of Excel assignments), but the solution will be posted on the website. I highly recommend that you spend time attempting every homework problem, since these test whether you fully understand the material.

OUTLINE OF COURSE CONTENT:

Warning:

If more space is needed for any section, please attach additional sheets to this form.

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This course outline provides a general plan for the course; deviation may be necessary. Any schedule change will be announced in class, and you are responsible for the announced change regardless of whether you are in class at the time of the announcement. This includes announcements made the first class.

### Course Outline

**Topic 1: How do I choose corporate projects?**

<table>
<thead>
<tr>
<th>Class 1</th>
<th>Introduction: Capital Markets, Consumption, and Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 2</td>
<td>Measures of Investment Choice: NPV, IRR, Payback</td>
</tr>
<tr>
<td></td>
<td>Case 1: Capital Budgeting</td>
</tr>
<tr>
<td>Class 3</td>
<td>More Advanced Capital Budgeting</td>
</tr>
<tr>
<td></td>
<td>Case 2: Cost of Capital</td>
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</tbody>
</table>

**Topic 2: How do I make strategic capital budgeting decisions?**

| Class 4 | Capital and Corporate Strategy                             |
|         | Projecting Free Cash Flows (Davies: 5, 6, and 7)           |
|         | Case 3: Business Strategy                                  |
| Class 5 | Technical Issues with Projections (Davies: 8)              |
|         | Case 4: Free Cash Flow                                     |
|         | Interest Rate Risk                                         |
|         | Credit Risk                                                |
|         | Operational Risk                                           |
|         | Liquidity Risk                                             |
|         | International Risk                                         |
|         | Case 8: Ratios                                             |
| Class 6 | Liquidity and Cost of Capital Implications for Corporate Management, by Yakov Amihud and Haim Mendelsohn |
|         | Case 5: Liquidity                                         |

*If more space is needed for any section, please attach additional sheets to this form.*

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Class 7

Midterm Examination

**Topic 3: How do I finance my company, and should I pay dividends?**

Class 8

Capital Structure Choice

“The Modigliani-Miller Propositions after Thirty Years”, by Merton Miller

Capital Structure and Dividend Policy

“The Search for Optimal Capital Structure”, by Stewart Myers

Leverage and Bankruptcy

Class 9

Leasing

Initial Public Offerings

Seasoned Equity Offerings

The Role of Junk Bonds

Case 6: Junk Bonds

**Topic 4: How do I value my company?**

Class 10

Analyze Financial Statements: Home Depot (Davies:10)

Forecasting Free Cash Flow

Estimate the Weighted Average Cost of Capital (Davies:11)

Case 7: WACC

**Topic 5: Can I effectively manage risk and how do I evaluate finance decisions from an ethical perspective?**

Class 11

Mergers and Acquisitions

Case 9: Acquisitions

Bankruptcy

Case 10: Bankruptcy

If more space is needed for any section, please attach additional sheets to this form.
Business Ethics and Financial Decisions

Business Plan and Valuation Due

Class 12 Final Exam

If more space is needed for any section, please attach additional sheets to this form.

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List of Cases:

Session 1:
- Butler Lumber Company

Session 2:
- Toy World, Inc.

Session 3:
- Ginny's Restaurant: An Introduction to Capital Investment Valuation

Session 4:
- Ocean Carriers

Session 5:
- Partners Healthcare

Session 6:
- Cost of Capital at Ameritrade

Session 7:
- Eskimo Pie Corporation (Abridged)

Session 8:
- Debt Policy at UST Inc.

Session 9:
- Pharmacies: Financing Research & Development

Session 10:
- Radio One, Inc.

Note: If you would like to receive a grade before the official University mailing, you may give me a self-addressed, stamped envelope or card and I will mail your grade as soon as it is ready. Grades will not be released over the telephone.

COMPUTER COMPONENT:

Knowledge of spreadsheet, database, and word processing programs is essential.

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LIBRARY ASSIGNMENTS:
See course outline.

ATTENDANCE POLICY:

A large class participation component to your grade is necessary because this is a case oriented course. Cases do more than teach particular subject matter. They are also excellent vehicles for teaching problem solving and logical thinking. Further, case discussion develops the oral communication skills of the class. Experience indicates that a student will not develop all of these skills unless that student actively participates in class. Since the development of these skills is a major course objective, class participation is given significant weighting.

Class participation is not synonymous with attendance. It means that you are well prepared to discuss the assigned case and readings, and do so effectively. Quality is important. Asking questions in class can be a valuable learning vehicle and such questions are encouraged for that reason, but questions do not earn class participation points. Points are earned by presenting quantitative and qualitative analyses of the case situation that have the effect of moving the class towards valuable insights about the case. For example, it is not enough to simply present the values of particular ratios. You must also furnish the understanding gained from analysis of the ratios. The only way to earn points is through your verbal contributions in class. A student who attempts to avoid a poor class participation grade by not participating will simply ensure a failing grade. If you are uncomfortable with such a large portion of your grade being determined by class participation, drop the course!

METHOD OF EVALUATION AND GRADING SCALE:

Your grade will be determined by the following.

- Examination 1  20%
- Business Plan and Valuation  20%
- Final Exam  30%
- Class participation and case discussions  20%
- Excel Homework  10%

Grades

A  100-90  I  Incomplete
B+  89-87  W  Withdrawal
B  86-80
C+  79-77
C  76-70
F  69 and below  XF  Failure due to academy dishonesty

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Make up examinations are never given. Class starts promptly at the scheduled time. If you will be unable to arrive on time, you should withdraw from the course.

Withdrawal:

Note that “W” is not automatic. You must be doing passing work. Withdrawal before the first examination does not guarantee a “W” because of the importance of class participation and the quizzes to the course grade.

OTHER COMMENTS:

Academic honesty:

It is your responsibility to read the College Policy on Academic Honesty. This document establishes clear standards for academic honesty and it will be enforced in this course. My policy is completely consistent with that document. Here is my position. A university can successfully function only when its integrity is maintained. One important element of integrity is personal honesty. Cheating, a form of personal dishonesty is unfair to students who do not cheat because their performance may appear relatively inferior, and it is unfair to students who do cheat because it short-circuits the learning process. In short, cheating is a cancer that invades and subverts the legitimate academic process. It cannot be tolerated at any level. Consequently, my position is simple. All work must be your own. Any student found using case notes prepared by others (including students from prior classes), copying during quizzes or exams, signing someone else’s name to the attendance list, or attempting in any way to promote the work of others as his or her own will receive an F for the course. Note that a person providing assistance is equally as guilty of cheating as the recipient of the assistance. In addition, I will make every effort to see that the guilty party receives the most severe University disciplinary action appropriate. There will be no exceptions or second chances. Period.

Students with documented disabilities who may need academic accommodations should discuss these with me as soon as possible.

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