



Boston University Study Abroad
London

Boston University Study Abroad
Corporate Financial Management
SMG FE 449 (*Elective A*)
Fall 2014

Instructor Information

A. Name Dr Zana Grigaliuniene

Course Objective

The objective of this course is to introduce you to the theory and practice of corporate finance, and to provide you with a set of analytical tools necessary to answer the most important questions related to firms' financing and investment policies. The theory of corporate finance consists of two main building blocks: investment decisions and financing decisions.

Investment decisions. In the first part of the class we will discuss how firms should choose their investments. We will identify cash flows relevant to the valuation of an investment project and discuss popular investment criteria. In addition, we will present some tools for practical investment decision making, such as sensitivity analysis, scenario analysis, and real options.

Financing Decisions

Next, we will try to answer one of the most important questions that you will face as a financial manager: how to finance the firm (or its investments)? Should you raise equity or debt to finance your firm's projects? Do capital structure choices (debt vs. equity) matter for total firm value? If yes, then how? What are the consequences of various capital structure changes: debt and equity issues, dividends, and share repurchases?

Course Materials

Required textbook:

Corporate finance 3rd edition by Jonathan Berk and Peter DeMarzo.

To refresh previously acquired knowledge, please read Chapters 1, 4, 8, and 9 in Berk-DeMarzo.

Course packet: The packet contains 2 cases that will be assigned during the semester.

Additional materials:

Lecture notes will be available on Blackboard: <https://lms.bu.edu>

You are required to print out the course materials pertinent to each meeting and bring them with you to class. I reserve the right to pose questions to individual students during the lectures (“cold calls”) in order to stimulate class participation.

Course website: All materials handed out in class will also be posted on the class website. In addition to all class materials, I will also repeat important announcements on the website; it is your responsibility to visit it as frequently as possible, and definitely before each class.

Assignments

Class participation: I will expect active participation by students. “Active participation” does not mean that you need to try to answer every single question posed in class. Thoughtful questions, answers, and remarks will be rewarded. “Thoughtful” does not have to coincide with “correct”. The goal of participation is to arrive together at the right answer.

Case assignments: You will be assigned two cases during the semester. The cases should be prepared in teams. Each team should include five (5) members. Case write-ups must include an executive summary that is up to one page in length, and must not exceed three (3) pages in total (excluding supplementary materials, such as tables, figures, and/or appendices). Cases write-ups should be turned in at the beginning of each class when particular cases are discussed.

Homework assignments: You will be given periodical homework assignments. These assignments are a very effective way of preparation for the midterm and final. Homework assignments are due at 9:00 a.m. on their due date. Please send homework assignments to my email: grigzana@gmail.com

EXAMS

Midterm: The midterm will be a closed-book, in-class exam, and will be based on all of the required course materials that will be covered during the first half of the class, including cases and homework assignments.

Final: The final exam will be a closed-book exam and will be based on all of the required course materials that will be covered during the whole class.

Grading: I will do my very best to ensure fair and consistent grading of the exams. However, I will not discuss grades or grading policies in class. Please refer to the Academic Handbook for detailed grading criteria and policies on plagiarism: <http://www.bu.edu/london/current-semester>

**Final Grades are subject to deductions by the Academic Affairs Office due to unauthorised absences.*

PERFORMANCE EVALUATION

Performance evaluation will be based on examinations, written case studies, homework assignments, and class participation. The weights put on each of these components when computing the final grade are as follows:

TYPE	TOPICS	EVALUATION, %
Midterm	1-8	30%
Final	1-16	30%
Case study write-up (2 cases, 10% each)		20%
Homework assignment (4 assignments, 2.5% each)	1-16	10%
Class participation		10%
Total :		100%

Attendance

Classes

All Boston University Study Abroad London Programme students are expected to attend each and every class session, tutorial, and field trip in order to fulfill the required course contact hours and receive course credit. Any student that has been absent from two class sessions (whether authorised or unauthorised) will need to meet with the Directors to discuss their continued participation on the programme.

Authorised Absence:

Students who expect to be absent from any class should notify a member of Academic Affairs and complete an Authorized Absence Approval Form 10 working days in advance of the class date (except in the case of absence due to illness, for which students should submit the Authorised Absence Approval Form with the required doctor's note as soon as possible). **Please note: Submitting an Authorised Absence Approval Form does not guarantee an authorised absence**

Students may apply for an authorised absence only under the following circumstances:

- Illness, supported by a local London doctor's note (submitted with Authorised Absence Approval Form).
- Important placement event that clashes with a class (verified by internship supervisor)
- Special circumstances which have been approved by the Directors (see note below).

The Directors will only in the most extreme cases allow students to leave the programme early or for a significant break.

Unauthorised Absence:

Any student to miss a class due to an unauthorised absence will receive a **4% grade penalty** to their final grade for the course whose class was missed. This grade penalty will be applied by the Academic Affairs office to the final grade at the end of the course. As stated above, any student that has missed two classes will need to meet with the Directors to discuss their participation on the programme as excessive absences may result in a 'Fail' in the class and therefore expulsion from the programme.

Lateness

Students arriving more than 15 minutes after the posted class start time will be marked as late. Any student with irregular class attendance (more than two late arrivals to class) will be required to meet with the Assistant Director of Academic Affairs and if the lateness continues, may have his/her final grade penalised.

SCHEDULE

Class schedule: We will meet on Mondays and Tuesdays between 9:00 and 13:00. Please see the table below for exact class dates.

Topics outline

Date	TOPIC	IN-CLASS HOURS	READINGS and assignments
Part I Investment decisions			
Sep 8	Introduction to corporate finance.	2	B&D Ch 1
Sep 8	Financial statements analysis. Financial planning.	2	B&D Ch 2
Sep 9	Investment analysis. Investment decisions rules. Identifying and estimating relevant cash flows.	2	B&D Ch 7
Sep 9	Investment project risk analysis (i.e. sensitivity analysis, break even analysis)	2	Lecture notes
Sep 15	Real options	2	B&D Ch 22 Homework 1 due
Sep 15	Analyzing investment projects	2	
Sep 16	Fundamentals of capital budgeting. Cost of capital	2	B&D Ch 8, 12
Sep 16	Case study 1	2	Case solution due
Part II Financing decisions			
Sep 22	Midterm exam	2	Homework 2 due
Sep 22	Capital structure	2	B&D Ch 14
Sep 23	Capital structure	2	B&D Ch 15, 16
Sep 23	Equity financing	2	B&D Ch 23
Sep 29	Debt financing	2	B&D Ch 24 Homework 3 due
Sep 29	Dividends and share repurchases	2	B&D Ch 17
Sep 30	Corporate governance	2	B&D Ch 29
Sep 30	Case study	2	Case solution due
Oct 3	Summary, review, and closing thoughts	4	Homework 4 due
Oct 7	Final Exam	2	
Total		38	

Note: I retain the right to deviate from this list if necessary, but I will give you advance notice.