

FIN 374C Financial Planning and Policy for Large Corporations (TTH 3:30-5:00, Classroom UTC 3.112, Unique #03845)

Instructor: Dr. Warren J. (Joe) Hahn

E-mail: joe.hahn@mcombs.utexas.edu

Office: CBA 6.304F, 512-232-6703

Office Hours: Monday & Wednesday 1:00 - 2:30 pm and by appointment

Description: This course is primarily focused on the evaluation and financing of major investments with a focus on applications such as those in the energy industry. The theory behind these decisions will be featured but practical issues involving application of the concepts will be emphasized, including scenario analysis and simulation.

Key questions to be addressed include:

- What are the relevant cash flows of an investment?
- What risks are involved with an investment, and how might a firm mitigate these risks?
- How can an investment be financed, and how does financing contribute to its value?
- How does an investment affect the firm's financial statements?
- How will an investment impact the firm's earnings per share?
- Is there flexibility in the way that a project can be implemented, and if so, how does the flexibility contribute to value?
- If an investment is delayed, will the opportunity still be available in the future?
- Does an investment exploit the firm's existing comparative advantages, and does it create new comparative advantages that will generate valuable projects in the future?

Prerequisite

- FIN 357 or FIN 357H

Materials

- Valuation: The Art and Science of Corporate Investment Decisions, Titman and Martin **3rd edition** (ISBN-10: 0133479528).
- @Risk (simulation add-in for Excel). Available in labs and for download (<http://www.mcombs.utexas.edu/Tech/Computer-Services/COE.aspx>)

Course Requirements and Grading

- Homework: 30%
- Midterm Exam: 30%
- Cumulative Final Exam: 40%
- I expect to be compliant with the Department guideline for class GPA for elective courses (approximately 3.4 GPA as a long-run average).

Homework is a key determinant of success in this course. Instructions for submitting homework are as follows:

- Written analyses are to be prepared by groups of up to two. Students can form their own groups, but please see me if you need help. Groups should remain constant for all of the assignments, barring extraordinary circumstances.
- All work will be submitted electronically in the form of a Microsoft Excel worksheet via Canvas and is due by 2:00PM on the day given on the assignment. Each group will hand in only one assignment report.
- Each student is expected to be actively involved in the analysis and work submitted. Each group should work independently (i.e., none of the work submitted should be based on the analyses, results or other work done by another group).

Solutions to the homework will be reviewed in class on the day the assignment is due. Homework grades will be communicated via grading rubrics distributed in class. If you wish to appeal your grade on any assignment, you have 10 days from the time it was returned to the class (not when you receive it). All homework appeals must be e-mailed and addressed to me at joe.hahn@mcombs.utexas.edu. Include the unique number of your section in your e-mail subject line to ensure consideration.

The midterm exam will roughly cover Chapters 1-6 of the textbook. It will be administered as a common exam with my other sections of this course in an evening session (typically 7-10PM) on October 13th. The final exam will be cumulative, but will focus on chapters 8-12 of the textbook. The final will also be administered as a common exam during the finals period.

I do not grade class participation or attendance, but you are responsible for everything covered or assigned in class. The lectures may encompass additional material that is beyond what is covered in the textbook or in the course assignments; therefore it is important that you review your class notes as you prepare for the exams. Laptops are permitted in class, and you are encouraged to work along with examples that are presented in class. However, you should not be using your laptop to surf the web, check e-mail, etc. during class. Based upon observations in past courses, active involvement in class is highly positively correlated with the course grade received.

Other Relevant Class Policies

- Since I review homework solutions in class on the day they are due, I cannot accept late homework submissions.
- I do not post homework solution files, since we review them in class.
- Missing homework assignments will receive a grade of zero, and make-up work is generally not possible.
- Because I want to encourage students to complete all assignments, I do not drop any homework grades.
- Before exams I will overview the material to be covered and discuss how to prepare, but I do not provide practice exams.
- I do not post exam solutions. We will review the midterm exam solution in class.

- Exams are to be taken at the scheduled time. There are two possible exceptions:
 - Conflict between our common exam time and an exam in another course. In such cases, students will be permitted to take a makeup exam upon providing evidence of the conflict.
 - Emergency. If you are unable to attend the midterm or final exam due to an emergency, your absence must be cleared through Student Emergency Services at <http://deanofstudents.utexas.edu/emergency/>.
 - Aside from these two exceptions, a missed exam will receive a grade of zero.
- In no circumstance will I give an early exam.
- I keep all graded exams in my office but you can visit anytime to view your exam.
- You are welcome to discuss your final grade with me - after the semester break.

Academic Dishonesty

I have a zero tolerance policy for acts of academic dishonesty. Such acts damage the reputation of our school and your degree, and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam, and I intend to turn any cases of academic dishonesty over to the disciplinary process of the school. As specific guidance for this course, you should consider the writing of all examinations to be an individual effort. Group preparation for examinations is acceptable and encouraged. Homework and case assignments should be done in your groups, and I encourage you to work together in answering the questions.

Students with Disabilities

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259 or via e-mail if you have any questions. **If you will be utilizing an opportunity for extra time for an exam, you must notify the instructor at least 14 days prior to the exam so that appropriate accommodations can be scheduled.**

Privacy in Canvas

Information in Canvas is protected by your UTEID login. Please be aware that I will use a merged Canvas site for all sections of the course that I am teaching this semester. This will allow students in other sections to see that you are enrolled in the course and send you email from within Canvas. However, they will not actually learn your email address and no other personal data will be revealed through Canvas. If you have any concerns, please contact the ITS Help Desk at 475-9400 for help removing your name from view of other students.

Religious Holidays

By University policy you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you miss the due date for an assignment due to your observance of a holy day you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Tentative Schedule (all dates but Midterm are subject to change)

Class	Date	Topic	Readings	HW due (estimated)
1	Aug 27	Course Introduction, Valuation Process	Chap 1	
2	Sept 1	Valuation Methodologies	Chap 2	HW#0 – File Upload
3	Sept 3	Cash Flows / Simulation and Scenarios	Chap 2-3	
4	Sept 8	Simulation and Scenario Analysis	Chap 3	
5	Sept 10	Simulation and Scenario Analysis	Chap 3	HW#1 – Chap 2
6	Sept 15	Simulation and Scenario Analysis	Chap 3	
7	Sept 17	Cost of Capital	Chap 4	HW#2 – Chap 3
8	Sept 22	Cost of Capital	Chap 4	
9	Sept 24	Cost of Capital	Chap 4	HW#3 – Chap 3
10	Sept 29	Estimating Required Rates of Return	Chap 5	
11	Oct 1	Estimating Required Rates of Return	Chap 5	HW#4 – Chap 4
12	Oct 6	Forecasting Financial Performance	Chap 6	
13	Oct 8	REVIEW Chap 1- 6		HW#5 – Chap 5&6
14	Oct 13	Midterm (time and location tbd)		
15	Oct 15	Valuation with Comparables	Chap 8	
16	Oct 20	Valuation with Comparables	Chap 8	
17	Oct 22	Enterprise Valuation	Chap 9	
18	Oct 27	Enterprise Valuation	Chap 9	HW#6 – Chap 8
19	Oct 29	Private Equity	Chap 10	
20	Nov 3	Private Equity	Chap 10	HW#7 – Chap 9
21	Nov 5	Decision Trees	Chap 11	
22	Nov 10	Valuation Using Market Information	Chap 11	HW#8 – Chap 10
23	Nov 12	Valuation Using Market Information	Chap 11	
24	Nov 17	Real Options	Chap 12	
25	Nov 19	Real Options	Chap 12	HW#9 – Chap 11
26	Nov 24	Real Options	Chap 12	
	Nov 26	Thanksgiving Holiday – no class		
27	Dec 1	Real Options	Chap 12	
28	Dec 3	REVIEW Chap 8-12		HW#10 – Chap 12

Cumulative Final Exam during Exam Week