

FIN 374C Financial Planning and Policy for Large Corporations

Monday & Wednesday 2:00 – 3:00pm UTC 4.132

Dr. John C. Butler

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Office Hours: Monday & Wednesday 5:00 - 6:30 pm and by appointment

Description: This course is primarily focused on the initiation, evaluation, financing and hedging of major investments with a focus on 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 addressed include:

- What are the relevant risks of the investment and can the firm hedge these risks?
- How can the investment be financed, and how does financing contribute to its value?
- How does the investment affect the firm's financial statements?
- Will the investment improve the firm's earnings per share, or will it lead to a short-term reduction in earnings?
- Is there flexibility in the way that the project can be implemented, and how does this flexibility contribute to value?
- If we choose to delay the initiation of the investment, will the opportunity still be available in the future?
- Does it exploit the firm's existing comparative advantages, and does it create new comparative advantages that will generate valuable projects in the future?

Materials

- Valuation: The Art and Science of Corporate Investment Decisions, Titman and Martin **2nd edition** (ISBN-10: 0136117015).
- @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

- Exams Midterm 30%, Final Exam 40%
- Case Write-ups & Homework : 30%

Make-up and extra-credit assignments are generally not possible. Your grade will be determined solely by the components listed above. If you fail to turn in the case assignment or the problem set when they are due you will not be able to make up the assignment or the points. Do not miss the exams.

If you wish to appeal your grade on any assignment or exam 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 the grader at : fin374c@gmail.com. Use the phrase "BUTLER APPEAL" in your email subject line to ensure consideration.

Exam appeals should be directed to John Butler.

Submitted Materials and Class Discussion

- Written analyses are to be prepared by groups of up to two. Students are left to find their own groups, but please see me if you need help. Groups should remain constant for all of the assignments, barring extraordinary circumstances.
- Each student is expected to be actively involved in the analysis discussions.
- All work – whether handed in during class or via Blackboard – is due at the beginning of class on the day given on the assignment. No late work will be accepted. Each group will hand in only one assignment.
- Each group should work independently (i.e., not the work of another group).
- For the cases, students should try to put themselves in the shoes of the case participants at the time of the case. Students may do additional research (e.g., on the internet). Students may not look at or use case materials from any other source, such as slides, spreadsheets or discussions from other universities that may be available on the internet or otherwise. Other schools assign these cases, but students may not use their discussions, materials, or solutions in any way.

Policies

Though attendance will not be taken, you are responsible for everything covered or assigned in class. The lectures may depart significantly from the material assigned and it is important that you review the assigned readings prior to the class session.

In general laptops are encouraged but if I feel that the privilege is being abused I reserve the right to ban them from class. There will also be periods where I request that all laptops are closed so that we can focus on the task at hand, e.g. during case discussions.

When we have guest speakers, the appropriate dress is business casual.

Academic Dishonesty

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the 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. Some homework assignments may be required to be completed individually but in these cases I encourage you to work together in answering the questions. In these instances you should, however, develop your own answer and not cut and paste the work of others. At no time should one student be in possession of a copy of all or part of work done by someone else, in the form of an e mail, an e mail attachment file, a diskette, or a hard copy.

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, VP: (512) 232-2937 or via e-mail if you have any questions. **You must notify the instructor that you will be taking advantage of an opportunity for extra time at least 14 days prior to the exam so that space in the testing center can be scheduled. All extra-time exams *must* be taken in the McCombs Testing Center; no exceptions.**

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.

Things you will dislike about me and the class

- Don't post solutions to homework
- No practice exams
- I keep all exams in my office but you can visit anytime; If you take an exam from the classroom or my office without permission you will receive a 0 on that at exam as the minimum punishment
- Expect homework on time through blackboard
- I expect you to read the book
- No early / makeup exams
- You must take the exams with the section that you have officially registered for
- Welcome to talk about final grade ... following semester

Tentative Schedule (exam dates are fixed but content may change)

<i>Meeting</i>	<i>Date</i>	<i>Topic</i>	<i>Readings</i>
1	Jan-13	Course Introduction & Valuation process	Chap1
2	Jan-15	Valuation Methodologies	Chap 2
	Jan-20	<i>MLK Holiday</i>	
3	Jan-22	Cash Flows / Simulation and Scenarios	Chap 2-3
4	Jan-27	Simulation and Scenario analysis	Chap 3
5	Jan-29	Simulation and Scenario analysis	Chap 3
6	Feb-3	Cost of Capital	Chap 4
7	Feb-5	Cost of Capital	Chap 4
8	Feb-10	Cost of Capital	Chap 4
9	Feb-12	Estimating Required Rates of Return	Chap 5
10	Feb-17	Estimating Required Rates of Return	Chap 5
11	Feb-19	Forecasting Financial Performance	Chap 6
12	Feb-24	Forecasting Financial Performance	Chap 6
13	Feb-26	Valuation with Comparables	Chap 8
14	Mar-3	<i>Review</i>	
15	Mar-5	<i>Midterm</i>	
		<i>Spring Break</i>	
16	Mar-17	Valuation with Comparables	Chap 8
17	Mar-19	Enterprise Valuation	Chap 9
18	Mar-24	Enterprise Valuation	Chap 9
19	Mar-26	Enterprise Valuation	Chap 9
20	Mar-31	Enterprise Valuation	Chap 9
21	Apr-2	Private Equity	Chap 10
22	Apr-7	Private Equity	Chap 10
23	Apr-9	Decision Trees	Chap 11
24	Apr-14	Intro to Real Options	Chap 11
25	Apr-16	Intro to Real Options	Chap 11
26	Apr-21	Intro to Real Options	Chap 12
27	Apr-23	Real Options continued	Chap 12
28	Apr-28	Real Options continued	Chap 12
29	Apr-30	Real Options continued	Chap 12

Cumulative Final Exam During Scheduled Exam Period

**** All students must take the exams with their scheduled section ****