



## FINANCE 370 – INTEGRATIVE FINANCE

SPRING 2016

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<b>Office Hours</b>	Tuesdays and Thursdays 5:00 – 6:00 pm, Wednesdays 9:00 – 10:00 am, and Others by appointment
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<b>E-mail</b>	<a href="mailto:ken.wiles@McCombs.UTexas.edu">ken.wiles@McCombs.UTexas.edu</a> (the best way to contact me)
<b>Course Web Page</b>	Canvas
<b>Teaching Assistants</b>	Jeremy Berntsen and Dustin Ripley
<b>Classes</b>	Tuesdays and Thursdays, 9:30 am – 10:45 am, UTC 1.132 Tuesdays and Thursdays, 11:00 am – 12:15 pm, CBA 5.330 Tuesdays and Thursdays, 12:30 pm – 1:45 pm, CBA 5.330

### Course Objectives

Finance 370 is the capstone course for graduating seniors in the Department of Finance. The primary objective of the course is to provide students, who already have an understanding of basic financial theory and analytical techniques, with an opportunity to apply their knowledge and analyze problems frequently encountered by financial decision makers, weigh alternative actions, and chose solution(s) that maximize the value of the firm.

### Goals

The primary goal of the course is to enhance your analytical and problem solving abilities. We will use case analyses, readings, lectures, class discussions, and group presentations that should help you: (a) improve your speaking and business writing skills, (b) gain exposure to issues frequently encountered by business decision makers,

(c) develop personal and professional skills valued by employers (e.g., time management, planning, collaboration, responsibility, and integrity), and (d) discover that success in the workplace requires a combination of quantitative and qualitative skills.

I would like to take this opportunity to point out that the pace of this course is deliberately uneven. We will cover purely descriptive topics at a fairly crisp pace, since the comprehension of such material ultimately depends upon your individual study. We will use the time thus accumulated to cover the analytical topics more deliberately.

### **Classroom Expectations**

You are expected to prepare for, attend, and participate in every class discussion, because that is the best way for you to learn each topic that we will cover in accordance with the course schedule provided in the last two pages of this syllabus. Specific information and study questions will be furnished for some assignments; check Canvas for these materials. If you are unfamiliar with the presentation topic, please review the textbooks from your previous finance courses and supplemental course materials.

### **Course Materials**

#### Required

- Course Packet: The assigned cases and readings are available through Harvard Business School Publishing at the following web site:
  - <https://cb.hbsp.harvard.edu/cbmp/access/43438705> (Link to external site)
  - The Midterm and Final cases will be activated at a later date.
- Other material and readings posted on Canvas or available online.

#### Optional

- *The Wall Street Journal*
- *Valuation: Measuring and Managing the Value of Companies, Fourth Edition*, by Tom Copeland, Tim Koller and Jack Murrin, John Wiley & Sons, Inc., 2005
- *Good to Great: Why Some Companies Make the Leap...And Others Don't*, by Jim Collins, HarperBusiness, 2001

**Grade Computation**

The assessment policy for this course is specified in the following paragraphs, and your final letter grade is determined solely by your performance on the components presented in the following table. Please read it very carefully. In the interest of fairness to all students, no exceptions will be made and no additional work will be available with which to improve your grade.

8 Case Summaries- 1% each (out of 12 individually assigned) [Independent]	8%
1 Executive Summary [Independent]	8%
1 Midterm Case (Staff Analysis & Case Exhibits) [Independent]	20%
1 Group Case (8%) and Case Presentation (6%)	14%
3 Case Exercises (2% each) [Independent]	6%
1 Final Case (Staff Analysis & Case Exhibits) [Independent]	25%
Class Attendance/Participation/Preparation	15%
1 Business Issue Debate	4%
<b>Total</b>	<b>100%</b>

Final letter grades will be assigned according to the following distribution:

A	> 93
A-	90.0 – 92.9
B+	87.0 – 89.9
B	83.0 – 86.9
B-	80.0 – 82.9
C+	77.0 – 79.9
C	73.0 – 76.9
C-	70.0 – 72.9
Etc.	

You will receive a numeric score for each assignment, and final grades will not be determined until the scores for all assignments are averaged, as indicated above. Final course grades may reflect the application of a small curve across all sections. The target GPA for the course, as approved by the Undergraduate Program Committee, is approximately 3.40.

**All course grades are final, except in the instance of a recording error.**

Assignments that are submitted by the required deadline will be returned approximately two weeks after they are submitted. If you have a question about any grade assigned, you must submit the question in writing, within one week after the assignment is returned. Your inquiry should include your name, UT EID, section number, the title of the assignment, and a written explanation of why you think the grade is incorrect. **I retain the right to raise or lower grades after review.**

**Written Work (69% of course grade)**

*This course carries the Writing Flag. Writing Flag courses are designed to give students experience with writing in an academic discipline. In this class, you can expect to write regularly during the semester, complete substantial writing projects, and receive feedback from your instructor to help you improve your writing. You will also have the opportunity to revise one assignment and to read and discuss your peers' work. This peer review and rewrite occur on the same writing assignment.*

*This course also carries the Independent Inquiry Flag. The purpose of the Independent Inquiry flag is to engage students in the process of inquiry over the course of a semester, providing them with the opportunity for independent investigation of a question, problem, or project related to their major. To that end, courses carrying this flag require students to complete projects and assignments involving independent investigation and presentation of their own work.*

Each student will submit multiple written assignments based on cases from the course packet. The two major independent case assignments (Midterm and Final) include a Staff Analysis (SA) and a set of prepared Case Exhibits (CE). Three other case assignments include (1) an independently prepared Executive Summary (ES), (2) a group Staff Analysis with Case Exhibits to accompany a case presentation, and (3) independently prepared Case Summaries for each case discussed in class.

**A. Submission of Written Work** – All individual case assignments (Executive Summary, Midterm, and Final) are due before 2:00 p.m. on the dates indicated in the course schedule. Papers submitted after 2:00 p.m. will be penalized 5 points (out of 100) for each 24-hour period (or fraction thereof) beyond the deadline. The late penalty will be allocated to both the hard copy and electronic copy of your paper.

**Individual cases (Executive Summary, Midterm, and Final) must be submitted in two ways:**

**1. A hard copy of your paper is due in the Finance Department office (CBA 6.222)**

- An “**Orange**” grade sheet, bearing an electronic time/date stamp to document timely submittal, is required when submitting case papers. No other cover sheet is required.
- Papers without a time/date stamp will automatically be deemed late.
- **Papers will not be accepted after the case assignment is reviewed in class!**

**2. An electronic copy of your paper must be uploaded to Canvas**

- Due dates/times and late penalties also apply to the electronic copy of your paper.

**B. Peer Review/Revision** – Students will have the opportunity to revise and rewrite the Executive Summary assignment following an in-class peer review.

**C. Case Summaries** – Students will prepare a Case Summary to evidence their preparation for each case. **In contrast to other written work, Case Summaries are due in class (at the beginning of the class session). You must attend class to fulfill this requirement unless you have an excused absence.** Late papers cannot be accepted, as this material will be discussed during class. Students are responsible for 8 of 12 Case Summary assignments.

- ❖ **As this course has a writing flag, many assignments require that the work be entirely your own (i.e., Executive Summary, Midterm Case, Final Case, and Case Summaries).**
- ❖ **Group members may not work together on these assignments and the specific language, structure, and format of each student's paper must be independent.**
- ❖ **Do not share your analyses, use the papers of any other FIN 370 student (current or former), or use unauthorized sources in preparing a written assignment!**
  - **The peer reviewed assignment and the Group case analysis are the only exceptions to the “sharing” rule.**

### **Case Exercises (6% of course grade)**

Three case exercises are assigned and are included in the Course Packet. The assignments are due at the beginning of class on the days assigned. No late papers are accepted. Should a student be unable to attend, scanning and sending the assignment in before class will be accepted and graded (with a 10-point penalty). Should a student have an excused absence the penalty will not be assessed.

### **Group Presentations (10% of course grade)**

The class will be organized into six case groups of approximately six students each, depending on class size. Groups are formed at students' discretion, on a first come, first served basis; however, I reserve the right to reassign students to ensure balanced group sizes. Students will generally stay in the same case group for the entire semester; however, if you are unhappy with your group, you may leave it and join another group with the instructor's permission and the consent of all the members in the new group. If a group is unhappy with a group member they may “terminate” that member for cause, with the instructor's permission. The terminated group member must work alone or find a new group.

**A. Business Issue Debates** – Two groups will present opposing sides of a contemporary business issue. The debates will be conducted in a point-counterpoint format, with specific rules and time allotments, to be announced at a later date. The debates should last approximately **60** minutes. **The class will be randomly resorted into eight groups for the debates.**

**B. Group Case and Case Presentation** – Each case group will be responsible for writing a Group Staff Analysis and presenting it. The goal of the presentation is to “teach” the case to your classmates and engage them in a discussion of the relevant qualitative and quantitative issues. Case presentations should last approximately **60** minutes and will be followed by a critique/feedback session. **All presentation grades are individual; hence, everyone in the group must participate in the presentation.** Groups should balance the presentation time among the presenters. These cases are presented during the second half of the semester. On the day due, at the beginning of class, each team must submit a copy of the Group SA including the Case Exhibits created. Copies of the Power Point Slides are also required.

### **Class Attendance/Participation/Preparation (A/P/P) (15% of course grade)**

The success of this course depends on your active participation in every class. A significant portion of the course grade, therefore, is devoted to qualities such as preparation, timeliness, attentiveness, responsiveness, and professionalism.

Your A/P/P grade is determined by your faithful and punctual attendance, preparation for class assignments, your professional comporment during class, and the quantity and quality of your contributions to class discussions, although the quality of your contributions will be far more important. I will consider the following components, among others, when evaluating your class participation. Was the comment or question:

- Relevant,
- Timely,
- Thoughtful, and
- Reasonable?

Students are expected to attend the class sections for which they are registered, participate in every class discussion, and display their name cards at all times.

- You are allowed the equivalent of two absences for any reason.
  - o In combination, instances of tardiness, leaving early, and/or non-participation are the equivalent of an absence (see grade calculation, below).
  - o If you have more than two unexcused absences (or the equivalent), each additional infraction will reduce your A/P/P grade.

- Two additional absences for interviewing may be completely excused. Absences exceeding this number will be excused for attendance, but not for participation.
  - You must provide interview documentation within two weeks of your absence.
  - Examples of this documentation include an interview schedule, plane ticket, etc.
- Absences due to illness or emergencies may be excused with timely and appropriate documentation, as determined by the instructor. Documentation must be provided within two weeks of your absence.
- Please note that an excused absence does not excuse any assignment that is due on that day.

#### A/P/P Grade Calculation

- Attendance, including instances of tardiness and leaving early, is recorded for each class session beginning the second week of class.
- Participation credit is awarded to:
  - Members of the group who make a presentation (e.g., case presentation or business issue debate)
  - Audience members who make a constructive contribution to the class discussion and submit a 3-point sheet, when required (i.e., business issue debates)
- Each student begins with a total of 108 A/P/P points. The eight additional points offset unexcused/undocumented absences or instances of tardiness/leaving early, non-participation, etc., in any combination. Points are deducted for each infraction as follows:
  - Unexcused absence = -4 points
  - Tardiness/leaving early = -1 point
  - Attended class, but did not participate = -2 points
  - Excess excused absences for interviewing ( > 2) = -2 points
  - Excess unexcused absences ( > 4) = -8 points
  - Excess tardiness/leaving early ( > 4) = -2 points
- Your final Attendance/Participation/Preparation grade equals the total score derived using these values (Maximum A/P/P Score = 100).
- Use your A/P/P points wisely . . . There is no opportunity to restore lost points.

## **Other Grading Criteria**

The primary basis for grading written assignments is content; however, professionalism in presentation is also given substantial weight. The writing skills component of the analysis considers grammar, spelling, punctuation, appropriateness, clarity, and thought. The following book is recommended for aiding in the preparation of written work: “*The Elements of Style*,” Strunk, William, Jr. and E.B. White, Macmillan.

Anyone who needs additional assistance in mastering basic writing skills can receive help through the Undergraduate Writing Center in the Flawn Academic Center, Room 211, or by calling 512-471-6222. The website for the Writing Center is <http://www.uwc.fac.utexas.edu/>

**Specific instructions for preparing Executive Summary and Staff Analysis writing assignments are available in the course document entitled, “Guidelines for Writing Case Analyses,” which is available as a class handout in the Staple Packet.**

## **Academic Integrity**

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the degree, and they 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.

The responsibilities for both students and faculty with regard to the Honor System are described in the following paragraphs that include links to additional information. As the professor for this course, I agree to observe all the faculty responsibilities described therein. As a Texas BBA student, you agree to observe all of the student responsibilities of the Honor Code. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

**Policy on Scholastic Dishonesty:** *The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program’s Statement*

on Scholastic Dishonesty at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

- ❖ **Unless specifically indicated otherwise, all writing assignments must be individually prepared by the student to avoid scholastic dishonesty. If you have any questions regarding this policy, please ask the instructor.**
- ❖ **Instances of scholastic dishonesty will be referred to the Dean of Students and may result in significant grade penalties.**

### **Additional Policies**

**A. Students with Disabilities** – Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>.

**B. Access to Canvas** – All students must have access to the Canvas web site for this course. I will use this venue to post class notes, assignments, announcements, and grades. I will also use the E-mail feature of Canvas to correspond with you. Check the site (and your E-mail) regularly to ensure that you have the most current information. Please note the following:

*Web-based, password-protected class sites will be available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: <http://www.utexas.edu/student/registrar/catalogs/gi02-03/app/appc09.html>*

**C. Computers and Electronic Devices** – The use of laptop/tablet computers to review cases during class and make presentations is acceptable. All other uses are prohibited. Other electronic devices and accessories (cell phones, MP3s, etc.) should be stowed away during the class session. **Violation of these policies, including texting and web surfing during class, will negate your attendance/class participation points earned on that day.**

**D. Religious Holy Days** – By UT Austin 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 must miss a class, an examination, a work assignment, or a project to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

**E. Campus Safety** – Please note the following recommendations regarding emergency evacuation, provided by the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050

- Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>

### **Additional Comments**

The requirements and recommendations for succeeding in this course are outlined in this syllabus. Since no extra-credit is available, I encourage you to follow these policies and utilize office hours to maximize your understanding of the assignments and their specific requirements. The aforementioned policies provide the basic guidelines and code of conduct for this course. They are designed to reduce confusion and establish an equitable framework for the entire class. As a matter of principle, I will strictly enforce these policies.

The course schedule is provided in the final two pages of this syllabus. I do, however, reserve the right to modify our course schedule or office hours at my discretion.

Barring unforeseen circumstances, I will be available during office hours, which are not intended to go over material missed in class. Office hours are an opportunity for us to discuss the topics of interest, current events, and research. Please check with your classmates and teammates for notes or other information, if you miss a class or portion thereof.

The “spirit” of the course is just as important as the “rules and regulations.” My goal is to create a cooperative classroom environment in which we learn from each other. To that end, I welcome your constructive comments and suggestions as we progress through the course. Your feedback is an important element of course delivery and development.

## Course Schedule – Part 1

Wk	Day	Date	Topics/Readings	Daily Assignments
1	T	Jan. 19	Introduction and Course Overview	Review syllabus
	TH	Jan. 21	Universal Widgets (corporate social responsibility)	In-class Assignment
2	T	Jan. 26	Case Exercise: Assessing a Firm's Future Financial Health	Due @ beginning of class (no late assignments)
	TH	Jan. 28	Merck & Company (decision trees)	All Students: Read case and prepare Case Summary
***			Reading: Note on Bank Loans	
3	T	Feb. 2	Jones Electrical Distribution (working capital management)	All Students: Read case and prepare Case Summary
	TH	Feb. 4	Writing and Presenting Executive Summaries and Cases	Review Writing Guidelines and grade sample ES (HO)
4	T	Feb. 9	Kota Fibres, Ltd. (seasonal financing needs)	All Students: Read case and prepare Case Summary
	TH	Feb. 11	In-class Review of Kota Fibres Executive Summary	Bring completed draft of ES to class PEER REVIEW
5	W	Feb. 15	Kota Fibres ES is due @ 2:00 pm (Independent Case)	NOTE THAT THIS IS NOT A CLASS DAY
***			Reading: Capital Structure Theory - A Current Perspective	
5	T	Feb. 16	California Pizza Kitchen (capital structure)	All Students: Read case and prepare Case Summary
	TH	Feb. 18	HCA (capital structure and competitive strategy)	All Students: Read case and prepare Case Summary
6	T	Feb. 23	FPL Group, Inc. (dividend policy)	All Students: Read case and prepare Case Summary
	TH	Feb. 25	Case Exercise: Fixed Income Valuation	Due @ beginning of class (no late assignments) Review Debate Guidelines (HO)
	M	Feb. 29		Assign Midterm Case (Independent Case) - Not a class day
7	T	Mar. 1	Amtrak: Acela Financing (lease vs. buy)	All Students: Read case and prepare Case Summary
	TH	Mar. 3	Business Issue Debate #1 - Groups A & B	Non-Debaters submit 3 point sheet
8	T	Mar. 8	Corporate Governance and Social Responsibility	Review Staff Analysis and Writing Guidelines (HO) Review Presentation Expectations (HO) Discuss Governance and Social Responsibility (HO)
	TH	Mar. 10	Midterm Case is due @ 2:00 pm (Independent Case)	
9	T	Mar. 15		
	TH	Mar. 17		Spring Break

## Course Schedule – Part 2

Wk	Day	Date	Topics/Readings	Daily Assignments
10	T	Mar. 22	Case Review - Midterm Case	
***			Reading: The Cost of Capital: Principles and Practice	
	TH	Mar. 24	Case Exercise: Valuing Capital Investment Projects	Due @ beginning of class (no late assignments)
11	T	Mar. 29	Coke vs. Pepsi, 2001 (cost of capital and EVA)	Group 1 presents; other students prepare Case Summary Group 1 SA and PPTs due @ beginning of class
***			Reading: Methods of Valuation for Mergers and Acquisitions	
	TH	Mar. 31	Mercury Athletic (cost of capital and DCF)	Group 2 presents; other students prepare Case Summary Group 2 SA and PPTs due @ beginning of class
12	T	Apr. 5	Sterling Household Products (business acquisition)	Group 3 presents; other students prepare Case Summary Group 3 SA and PPTs due @ beginning of class
	TH	Apr. 7	Business Issue Debate #2 - Groups C & D	Non-Debaters submit 3 point sheet
13	T	Apr. 12	Radio One, Inc. (business acquisition)	Group 4 presents; other students prepare Case Summary Group 4 SA and PPTs due @ beginning of class
***			Reading: Note on IPO Share Allocation	
	TH	Apr. 14	Rosetta Stone, Inc. (IPO valuation)	Group 5 presents; other students prepare Case Summary Group 5 SA and PPTs due @ beginning of class
	M	Apr. 18		Assign Final Case (Independent Case) - Not a class day
14	T	Apr. 19	Tottenham Hotspur plc (business valuation)	Group 6 presents; other students prepare Case Summary Group 6 SA and PPTs due @ beginning of class
	TH	Apr. 21	Business Issue Debate #3 - Groups E & F	Non-Debaters submit 3 point sheet
15	T	Apr. 26	Business Issue Debate #4 - Groups G & H	Non-Debaters submit 3 point sheet
	TH	Apr. 28	Final Case is due @ 2:00 pm (Independent Case)	
16	T	3-May	Case Review - Final Case	
	TH	5-May	Career Day	

8 Case Summaries	8
ES (All)	8
SA (Group)	8
Mid-Term Case	20
Case Presentation	6
3 Case Exercises	6
Final Case	25
A/PP	15
Debate	4
	<b>100</b>

8 of 12 assigned Case Summaries; must be present to submit