

HOFSTRA UNIVERSITY
FRANK G. ZARB SCHOOL OF BUSINESS

"to provide students with a perspective on the integration of the functional areas of business, while maximizing the use of analytical skills and knowledge for decision making in a contemporary global business environment"

Department of Finance

FIN 209

SEMINAR: CORPORATE FINANCIAL POLICY
(Graduate Course)

SEMESTER:	Spring 2005
INSTRUCTOR'S NAME:	Dr. George Papaioannou
OFFICE HOUR:	TU 4 - 6 pm.; TH 1 - 2 pm.
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GENERAL INFORMATION

Location of Department Office	221 Weller Hall
Phone Number of Department	463-5698
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Department Chairperson	Dr. Nancy Huckins

COURSE DESCRIPTION

Advanced study of the analytical techniques and theoretical underpinnings of corporate financial policy in the areas of working capital management, capital budgeting, capital structure and corporate restructuring. The case study method is used to demonstrate the challenges in the analysis and debate of corporate decisions. Students are expected to consider the firm-wide implications of their decisions with focus on value creation. Issues of corporate responsibility and managerial conflicts of interest are extensively discussed.

PREREQUISITES OF COURSE

FIN 202.

REQUIRED TEXTBOOK

Case Studies In Finance, Robert Bruner,, Fourth Edition, Irwin/McGraw-Hill, 2003.

SUPPLEMENTAL MATERIALS

Teaching Notes for FIN 209, G. J. Papaioannou,, manuscript distributed by instructor.

Readings, Collection of articles placed on e-reserve (password: FIN209)

Your FIN 202 or any similar corporate finance textbook **should be used** as a source for theory and

analysis.

OUTCOME OBJECTIVES AND METHODS OF ACHIEVING THE OBJECTIVES

The main objective of the course is to teach students how corporations analyze financial decisions, set financial policies, and arrive at recommendations under conditions of uncertainty and conflicting priorities and interests. For a more complete and realistic appreciation of and practice with "real world" situations and information data sets, the course uses the case study method. Case analysis is supplemented with readings that cover important topics of corporate finance. The course also seeks to develop student awareness and understanding of the ethical and social responsibility issues managers face as they strive to create value.

COURSE REQUIREMENTS

1. Case Analysis

All students are required to analyze 6 cases and submit a written report (see *Case Guidelines*). In addition, all students are required to participate actively in the discussion of all cases, those introduced by the instructor as well as those analyzed by the students.

2. Take-home Exam

The take-home exam will include (a) problems relating to the topics covered in case discussion and analysis; and (b) questions relating to the assigned articles. The exam is due on **Tuesday, May 17, 2004**. It will be handed to the students one week in advance.

3. Readings

A list of readings will be kept on e-reserve and, if needed, hard-copy reserve at the Axinn Library. These readings have the purpose to acquaint students with the empirical evidence, approaches to financial decision making, and current thinking in regards to various financial policies and issues. Readings are assigned to class sessions as shown in the Course Outline. The password needed to access e-reserve materials is FIN209. Students are expected to be prepared to discuss in the class readings as assigned in the Course Outline.

4. Class Participation

Class participation is absolutely essential and will affect final grade. Every student is required to participate actively in the discussion of the cases and any articles the instructor selects for class discussion.

INSTRUCTIONAL PROCESS

Classes will alternate between those when the instructor presents relevant material and leads the case discussion and classes when the students lead the case discussion and submit their analysis report.

a. Instructor-led Classes

In these classes, the instructor will present finance theory and analysis relevant to cases and lead the discussion of the case. The purpose is to introduce a framework (both conceptual and technical) for the analysis of similar cases. For these classes, the students are required to read the cases in advance and have a good conceptual understanding of the issues - no written analysis is required. Students must also have read any assigned readings.

b. Student-led Classes

In these classes students are required to present and discuss a case and also submit their written report. Each student is responsible for the analysis of **six** cases. The written end product (report) must be done on an individual basis; however, collaboration in discussing the case is permitted. All students must be prepared to participate and contribute to the discussion of each case.

At the start of the class following a case discussion, the instructor will take a short time for a "post mortem" reflection on the previous week's case in order to address post-discussion thoughts. Such and other materials will be distributed electronically.

Case reports not submitted in the classroom or in the instructor's office by the end of the class will not be accepted nor will they be graded. THIS IS AN ABSOLUTE RULE.

THE COURSE CONTRACT

Effective case discussion requires the acceptance and respect of some basic rules.

1. Preparation for case discussion. Each student must be thoroughly prepared to discuss cases and other materials as assigned. For case discussion, this means familiarity with the analysis performed and the facts of the case. By its nature, a case study class requires student self-study.

2. Active participation. Every student must participate actively and must contribute to the case discussion. Quality of participation takes precedence over quantity of participation.

3. Professional discourse. A professional decorum must be observed in regards to the manner others are addressed and the tenor of comments. Critical comments are welcomed and strongly encouraged. Please do not interrupt those who have the floor and wait until you are recognized.

4. No absences. Being absent, especially when cases are presented by students, amounts to not fulfilling the essential responsibility of being part of the case discussion.

4. Late arrivals. Entering the class after discussion has commenced breaks the flow of thoughts and the discussion. Be considerate in that respect.

5. Electronic devices. Please deactivate all beepers, pagers and cell phones if their function causes noise.

6. No plagiarism. Reports that appear to be copies of each other are not acceptable. If you gain internet access to case solutions, especially to quantitative analysis, you must disclose your sources and ensure that the rest of analysis has enough proprietary content to claim it as your own. The take-home exam must reflect individual effort without collaboration.

Taking this class implies acceptance of this contract.

METHODS OF EVALUATING THE STUDENTS

Cases - 60%

The average score of the six cases will represent 60% of the total grade. Each case will receive a letter grade, with A+ being the highest (equal to 98 points). Cases not promptly submitted will receive a zero grade. Each case will be graded with respect to: (a) quality of conceptual and quantitative analysis; (b) breadth of coverage; (c) completeness (whether it has addressed all the parts as outlined in the *Case Guidelines*); and (d) professional style and clarity.

Take-home Exam - 30%

Late submissions without justifiable cause will result in a grade reduction by **one-third**.

Class Participation – 10%

Participation in the discussion of cases and readings is mandatory. Poor class participation in the case discussion diminishes and limits the quality of the learning experience through cases. A well-run case study class is one when there is a lot of student participation and minimal instructor involvement (I am referring to the student-led classes). Because assigning points for class participation will be based on my recollection, maximize your involvement so that you create strong impressions. (My practice is to mark each student's participation right after the class.)

Each class absence will normally result in the loss of 2 points. A class absence in student-presented cases will result in the loss of 4 points.

NOTE ON PERSPECTIVES

The AACSB guidelines require that all business majors be exposed to several perspectives that influence the management of business organizations. Such perspectives include the global marketplace, the, legal and regulatory system, and the environmental, social, and technological environment of firms. Coverage of perspectives will be infused as much as possible and appropriate into the case discussions.

SCHOOL OF BUSINESS POLICY ON MAKEUP EXAMINATIONS

To be eligible for a makeup examination, a student must submit to the instructor written documentation of the reason for missing a scheduled examination due to medical problems or death of an immediate family member. The instructor (**not the student**) determines whether and when a makeup is to be given. If a makeup examination is to be given, the instructor will determine the type of makeup examination. If the student misses (for any reason) the scheduled makeup examination additional makeups are not permissible.

UNIVERSITY POLICY ON INCOMPLETE GRADES

A student unable to complete a course may, with the permission of the instructor, receive a grade of incomplete (INC). The instructor will permit the student to complete and submit the missing work **no later than the third week** of the following semester. (**My policy is to give INC only to students who have a passing grade up to the time of the request.**)

ATTENDANCE POLICY

This being a case study based course, it is extremely important that you attend all classes. Learning in this class is accomplished by listening to other persons' analysis, views and opinions. See also grading policy above.

COURSE OUTLINE

Week 1 Feb. 1	Instructions for case analysis and discussion. Financial analysis and decision making: A value-based framework. Teaching Notes #1
Week 2 Feb. 8	Financial analysis and planning; ratio analysis; and working capital management. (Please review financial ratios and financial statements) Case 8: Padget Paper Products Co. <i>Instructor</i> Teaching Notes #2; Reading: 1
Week 3 Feb. 15	Forecasting seasonal financing needs Case 9: Kota Fibres, Ltd. Students
Feb. 22	NO CLASS
Week 4 March 1	Financing for growth Case 10: Deutsche Brauerei Students
Week 5 March 8	Cost of capital and firm value. Case 12: “Best practices in estimating the cost of capital.” Case 14: Coke and Pepsi, 2001 <i>Instructor</i> Teaching Notes #4, #5, #6,; Readings: 3
Week 6 March 15	Cost of capital and evaluation of business segments Case 15: Teletch Corporation Students
Week 7 March 22	Capital budgeting; cash flow measurement and techniques Case 17: The Investment Detective <i>Instructor</i> Teaching Notes #7, #8, #11; Reading 2
March 29	NO CLASS
Week 8 April 5	Capital budgeting application Case 22: Euroland Foods, SA Students

- Week 9
April 12
Capital structure decisions and firm value
Case 28: An Introduction to Debt Policy and Value
Case 29: Structuring Corporate Financial Policy
Instructor
Teaching Notes #3, #9, #10, #12; Readings: 4, 5, 6, 7
- Week 10
April 19
Capital structure and financial flexibility
Case 31: Polaroid Corporation, 1996
Students
- Week 11
April 26
Valuing the enterprise and corporate restructuring
Case 45: Hostile takeovers
Case 39: Yeats Valves and Controls Inc.
Instructor
Teaching Notes #13; Readings: 8, 9, 10
- Week 12
May 3
Valuing private equity
Case 41: Palamon Capital Partners
Instructor
Teaching Notes # 14; Reading: 11, 12
- Week 13
May 10
Setting the takeover price and form of payment
Case 43: Printicomm's proposed acquisition of Digitech
Students
Exam is handed out
- Week 14
May 17
Selling a "socially" responsible firm
Case 4: Ben & Jerry's Homemade, Inc.
Instructor
Exam is due now

I wish you a good semester

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