

SOM 640 Corporate Finance

Professor Hossein Kazemi

1. Basic Information:

- (a) Term: Fall 2018
- (b) Class: Tuesdays & Thursdays 10:00-11:15, Room 210
- (c) Office hours: Tuesdays 1:00-2:00, Thursdays 2:00-3:00, or by appointment
- (d) Office: SOM 310A Tel: 545-5629
- (e) E-mail address: kazemi@isenberg.umass.edu
- (f) Personal web page: people.umass.edu/kazemi
- (g) Course web page on Blackboard: uma.umassonline.net

2. Objective:

This course introduces students to the field of financial decision making. Many central concepts of financial economics are introduced and discussed. However, since this is an introductory course, many topics – with some even considered rather important – are not discussed at all or are introduced rather briefly. Students will learn about financial statements analysis, financial planning, time value of money, valuations of stocks and bonds, capital budgeting, risk and return in financial markets and the cost of capital. Students will gain an appreciation of the basic concerns and responsibilities of financial managers and will apply the methods of analysis employed by financial professionals.

3. Textbook & Cases:

- (a) *Fundamentals of Corporate Finance*, by Ross, Westerfield and Jordan, 12th Edition.
 - i. The E-Book is based on 12th Edition of the book. The cost of the E-Book is \$88. Students can use an older edition of the book, but there will be some differences. The E-Book can be purchased here:
 - ii. Link: <http://create.mheducation.com/shop/>
 - iii. ISBN: 9781307316599
 - iv. Title: Financial Decision Making
- (b) *Harvard Business School Cases*
 - i. <https://hbsp.harvard.edu/import/551355>
 - A. Jones Electrical Distribution
 - B. Financial Statement Analysis-Identify the Industry
 - C. Time Value of Money: The Buy Versus Rent Decision
 - D. Saito Solar - Discounted Cash Flow Valuation

4. Other Tools: Finance calculator or apps

- (a) Calculator: HP-12C or similar financial calculator with *present and future values* functions
- (b) Online emulator: epx.com.br/ctb/hp12c.php
- (c) iPhone App: itunes.apple.com/us/app/vicinno-financial-calculator/id400147868?mt=8
- (d) Android App: play.google.com/store/apps/details?id=com.hp.hp12c

5. Assignments:

Reading assignments are from the textbook and the material posted on the website or distributed in the class. Since you will be expected to participate in class discussions, you should always complete the assignments before the class period. The material covered in this class is inherently cumulative, and it is imperative that you do not fall behind. I am here to help you, but it is your responsibility to get the help you need before problems get out of control.

6. Lecture Notes:

I will use slides to organize my lectures. Copies of these slides are available on Blackboard. Also, whenever possible, other reading materials that are distributed during class will be posted on the website.

7. Problem Sets, Cases and Exams:

- (a) Cases: There are 4 cases. They are group projects. Use Blackboard to form groups of 4-5 people by September 18. *You will need to submit a printed copy of the case write up at the beginning of the class. You may upload your case, but it has to be in PDF format. No Excel or Word files are accepted. A free PDF generator can be found here: cutepdf.com*
- (b) Problem Sets: There will be 4 problem sets. These are *NOT* group projects. *You will need to submit a CLEAN printed copy or a handwritten copy of the solution at the beginning of the class. You may upload your solution, but it has to be in PDF format. No Excel or Word files are accepted. A free PDF generator can be found here: cutepdf.com*
- (c) Exams: There will be a mid-term and final exam. The final exam is not cumulative.

8. Guides to case analysis:

There are 3 documents on the course website that should guide you in writing cases for this and other classes. They will be helpful should you decided to participate in a case competition such as Aspen.

9. Bloomberg:

- (a) You will need to use Bloomberg Professional to complete some of your problem sets. In addition, Bloomberg Professional is widely used within the business world. You will find it extremely helpful in completing projects for other classes. There is a Bloomberg Professional Terminal in the MBA room and there are more in the computer labs of Isenberg School.
- (b) I have posted a few documents on the website to help you get started. Also, there are links to a videos introducing the Bloomberg Professional
- (c) You should consider completing the Bloomberg Market Concepts (BMC) program. It is an online 8-hour program.

10. Investment game and company reports: These are *NOT* required. The reports are based on a simulated investment game that you can play.

You could receive up to 5 points by participating in the investment game. To receive the full 5 points, you will need to do the following:

- (a) Finish in the top 3 in the simulated investment game
 - i. Go to the course website and follow the instructions for registering for the game. You need to sign up for the game called *Isenberg640Fall18*. Make sure that all of your trades are done when you are logged into this game. Start investing before October 1.

- (b) Write a report
- i. Write a 6-8 page report, comparing two firms from the same industry (perhaps two that you have invested in), making a case for investment in one of the two. A typical report will consist of:
 - A. Short background of the two firms. A brief analysis of operations, competitive position, product lines, etc.
 - B. Analysis of financial statements, peer comparison, changes in financial position, etc.
 - C. Equity valuation using one of the models discussed in the class
 - D. Conclusion and recommendation
- (c) If your portfolio is *NOT* in the top 3 at the end of the term, then you are *unlucky* and you will only receive 3 points for participating in the game and submitting a completed report by the deadline. A printed copy of the report in PDF format must be submitted.

11. Summary of grading

4 Problem Sets: 4×8	32
4 Cases: 4×8	32
2 Exams: 2×18	36
Total Points of Requirements	100
Investment Participation & Report	5
Total Points + Extras	105

12. Important Dates

Meetings	Date	Assignments	Lectures
1	Tuesday, September 4, 2018		Chapter 1: Introduction
2	Thursday, September 6, 2018		Chapters 1,2: Fin Statements
3	Tuesday, September 11, 2018	Problem Set 1 Distributed	Chapter 2: Fin Statements
4	Thursday, September 13, 2018		Chapters 2,3: Working with Fin Statements
5	Tuesday, September 18, 2018	Problem Set 1 Due	Chapter 3: Working with Fin Statements
6	Thursday, September 20, 2018		Chapter 4: Planning
7	Tuesday, September 25, 2018	Case 1: Financial Statement Analysis	Chapter 4: Planning
8	Thursday, September 27, 2018		Chapter 5: Time Value of Money
9	Tuesday, October 2, 2018		Chapter 6: Discounted Cash Flows
10	Thursday, October 4, 2018	Case 2: Jones Electrical	Chapter 6: Discounted Cash Flows
	Tuesday, October 9, 2018		
11	Thursday, October 11, 2018	Problem Set 2 Distributed	Chapter 6,7: Bonds
12	Tuesday, October 16, 2018		Chapter 7: Bonds
13	Thursday, October 18, 2018	Problem Set 2 Due	Chapter 7: Bonds
14	Tuesday, October 23, 2018	Case 3: Time Value of Money	Chapter 8: Stocks
15	Thursday, October 25, 2018	Mid-Term	
16	Tuesday, October 30, 2018		Chapter 8: Stocks
17	Thursday, November 1, 2018		Chapter 8: Stocks
18	Tuesday, November 6, 2018		Chapter 9: NPV
19	Thursday, November 8, 2018	Problem Set 3 Distributed	Chapter 9, 10: Capital Investments
20	Tuesday, November 13, 2018		Chapter 10: Capital Investments
21	Thursday, November 15, 2018	Problem Set 3 Due	Chapter 11: Capital Markets
	Tuesday, November 20, 2018		
	Thursday, November 22, 2018		
22	Tuesday, November 27, 2018		Chapter 11: Capital Markets
23	Thursday, November 29, 2018		Chapter 12: Risk & Return
24	Tuesday, December 4, 2018	Case 4: Saito Solar & Problem Set 4 Distributed	Chapter 12: Risk & Return
25	Thursday, December 6, 2018		Chapter 12: Risk & Return
26	Tuesday, December 11, 2018	Problem Set 4 Due/Invest Game Ends	Chapter 13: Cost of Capital
	Friday, December 14, 2018	Final Exam, 10:30-12:30	
	Monday, December 17, 2018	Optional Reports are Due	

13. Class policies:

- (a) Class participation: Please attempt to attend all classes and arrive on time. You should let me know *BEFORE* the class starts if you are going to miss a class.

- (b) Please come to the class prepared to participate.
- (c) Please avoid using your laptop, tablet or other electronic devices unless they are being used to view or take notes.
- (d) Enjoy the class and please let me know if I am moving too fast or too slow through the material. Please feel free to ask questions about what is being discussed in the class or anything finance – do not promise to know the answer.

14. Professional Designations in Finance

- (a) Chartered Financial Analyst: <https://cfainstitute.org/>
The Finance Dept. is a partner of the CFA and there are limited scholarships available for those students who want to sit for the three exams.
- (b) Chartered Alternative Investments Analyst: <https://caia.org/>
The Finance Dept. is one of the founders of the CAIA and there are limited scholarships available for those students who want to sit for the two exams.
- (c) Financial Risk Manager: <https://www.garp.org>
There are no scholarships for FRM.