

Course Syllabus

Course Name & Number:	<i>Fin 502 - Corporate Finance</i>
Quarter	Winter 2021
Start & End Dates	4 January 2021 – 8 March 2021
Grading	Graded
Credits	4 credits

Course Overview

Finance deals with how individuals make consumption and saving decisions and how firms make investment and financing decisions. Individuals must decide how much to consume today and how much to save for consumption in the future. This decision involves how willing individuals are to wait to consume and how much risk they are willing to take when saving. Firms must decide how much to invest and what to invest in. They must also decide how to allocate the rights to control of the firm and to whom to allocate the firm's future cash flows. This necessarily involves interacting with individuals who, as part of their savings and consumption decisions, provide the firm with capital to invest and receive cash flow (and control) rights in return.

These interactions between firms and individuals take place in capital markets. Thus, our study of all of these decisions will involve understanding how capital markets function. In the process, we learn some interesting and *extremely useful* frameworks and techniques that will be of great benefit to you in helping you to develop a competitive advantage over your peers and progress in your career!

Course Learning Objectives

The course will help students to:

- ★ Differentiate between the parts of the firm and explain how they relate to one another.
- ★ Compare the concepts of Free Cash Flow (FCF) and Earnings Before Interest and Taxes (EBIT) and relate these concepts to the other parts of a firm.
- ★ Relate the concept of Value Add to the concept of competitive advantage.
- ★ Describe how the capital market values expected future cash flows using discount rates.
- ★ Use discount rates to estimate the value that a capital market would place on series of expected future cash flows.
- ★ Explain why the Net Present Value (NPV) rule works and relate it to the concept of Value Add.
- ★ Explain why only incremental FCFs matter in implementing the NPV rule.
- ★ Analyze the NPV of a project using the With/Without rule.

- ★ Explain how inflation and consumers' aversion to waiting leads to a positive, risk-free rate.
- ★ Relate the concepts of risk and standard deviation.
- ★ Compare and contrast systematic and idiosyncratic risk.
- ★ Interpret a firm's beta as a measure of systematic risk.
- ★ Calculate a discount rate using the Capital Asset Pricing Model.
- ★ Contrast the rights and obligations of equity and debt and their roles in the firm.
- ★ Estimate the value of a firm's equity in the capital market and explain why these prices change from day to day.
- ★ Estimate the value of a bond in the capital market and explain why the expected return/discount rate on debt is different from the yield/interest rate.
- ★ Explain why the value of a firm and its discount rate do not change with the mix of debt and equity in a firm's ticket stack.
- ★ Calculate the Weighted Average Cost of Capital.

Faculty Info



Instructor:

Lance Young

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Office Hours: TBA

Faculty Bio

I grew up in Washington and received my undergraduate degree in accounting from Washington State University. Upon leaving WSU, I worked for Price Waterhouse for several years doing auditing and corporate turnaround consulting. I received my MBA from the Foster School and my PPhD in finance from the Simon School at the University of Rochester. I have been at the Foster School for 13 years. My research interests include asset pricing, market microstructure, and behavioral finance. I teach Entrepreneurial Finance, Core Finance, and Mergers and Acquisitions primarily to MBAs and Executive MBAs.

Virtual Office Hours

Virtual office hours will also be held via Zoom Conference. Date and time to be determined after gauging what works best for the majority of the class. You can also make an appointment to meet with me via Zoom.

Email and Internet

UW Email and the Canvas Discussion Forums in this course are the official means of communication for this class. Students are expected to read and act upon email in a timely fashion. Students should check their email regularly along with the Announcements section of this course. All instructor correspondence will be sent to your @uw.edu email account.

Course Structure and Format

Course Time Commitment

This 4-credit course requires approximately 8-12 hours of work per module. Please expect to spend more time during those modules that include larger assignments or exams as well as during the Immersion Week.

Delivery Method

This course uses Canvas for the facilitation of communications between faculty and students, posting course materials and activities, submission of assignments, and posting of grades. Canvas can be accessed at <https://canvas.uw.edu/>

Organization

This course is organized by modules, which correspond to weeks in the Quarter.

Module	Topic:	Mon. Section Dates	Wed. Section Dates
1	Introduction: Overview of the Big Picture of Finance and Financial Analysis	Mon., Jan. 4	Wed., Jan. 6
2	Net Present Value and Project Evaluation: Introduction	Mon., Jan. 11	Wed., Jan. 13
3	Net Present Value and Project Evaluation: HP Case	Fri., Jan. 22	Wed., Jan. 20
4	Risk and Return: Introduction	Mon., Jan. 25	Wed., Jan. 27
5	Risk and Return: Mechanics	Mon., Feb. 1	Wed., Feb. 3

6	Risk and Return: Dan Mattsen Case	Mon., Feb. 8	Wed., Feb. 10
7	Introduction to Equity Securities: Common Equity	Fri., Feb. 19	Wed., Feb. 17
8	Introduction to Debt Securities: Bonds	Mon., Feb. 22	Wed., Feb. 24
9	Modigliani and Miller: Introduction to Capital Structure	Mon., Mar. 1	Wed., Mar. 3
10	Modigliani and Miller: Capital Structure and Discount Rates, and Course Wrap-up	Mon., Mar. 8	Wed., Mar. 10

Course Format

Each module will provide you with a variety of learning experiences. You can expect the following types of activities throughout the Quarter:

Textbook

Jonathan Berk and Peter DeMarzo, *Corporate Finance: The Core*, 4th Ed., Pearson Education, 2017.

Research has shown that people learn in different ways. Some students learn more from videos and discussions, while others prefer to read about the materials. Thus, I intend the textbook to supplement our other learning materials in order to provide students with another treatment of the material.

Case Studies

This course uses a number of case studies so that we can practice using the tools and frameworks we learn in the course. We will be turning in write-ups of three of our cases. For the others we will have a Canvas discussion regarding the case. Please note that each case within a given Canvas module will likely include topics that are relevant to that module along with those that preceded it. The cases are team assignments; each team will turn a single deliverable via Canvas. individual Canvas modules include instructions on what is required of your team

Video

Most modules will include several short video segments that cover important topics in the Module.

Assignments

The course includes four assignments. They will be due at the end of Modules 2, 5, 7, and 10. While you are welcome to study for the assignments with other students, you are prohibited

from seeking guidance online, from previous students, or from any source **other** than a single sheet of 8-½ x 11 paper with anything you choose to write on it (e.g., notes, definitions, formulas).

Grading Policies

Submitting Assignments

Instructions for submitting assignments are included with the assignment descriptions within the Canvas course site. Due dates for all graded work are included in the Course Calendar below and on Canvas Module Overview pages.

Late or Missed Assignments

Notify the instructor BEFORE an assignment is due if an urgent situation arises and the assignment can't be submitted by the due date. Published assignment due dates (Pacific Standard Time - -PST) are firm. Please follow the appropriate University policies to request an accommodation for religious observances.

Grading Procedure

Grades reflect your performance on assignments and adherence to deadlines. The grading turnaround time will be one week. Grades will be posted in the gradebook on the course site.

Rubrics

Most of the graded work in this course includes a grading rubric, which should help you understand the requirements of the assignment and give you detailed feedback about your grade / performance. Rubrics will be included within the assignment description.

Class Participation

Class participation (synchronous and asynchronous) is extremely important. The class should be a common learning experience. Thus, we want you to take ownership and initiative for the success of the class.

It is critical that you arrive for each class fully prepared to lead the discussion if called upon. You should be able to demonstrate your understanding of the relevant issues and problems in the

assigned readings and cases. Share your knowledge and help others understand your point of view.

Some of the criteria we will use to judge the effectiveness of your participation include:

- ★ Are you willing to participate?
- ★ Do your comments show evidence of appropriate, insightful analysis of the case?
- ★ Are your comments relevant to the class discussion?
- ★ Are you a good listener as well as speaker? Can you play off of the comments of others?
- ★ Are you willing to test new ideas? Or are all of your comments “safe”?
- ★ Do you work well with others during group projects?

Graded Material Overview

Activity:	#:	Value	Total:
Cases	4	91	364
Assignments	4	100	400
Problem Sets	9	15	135
Discussions & Participation	throughout	101	101
Total:			1000 points

Incompletes

An Incomplete may be given only when the student has been in attendance and has done satisfactory work to within two weeks of the end of the quarter and has furnished proof satisfactory to the instructor that the work cannot be completed because of illness or other circumstances beyond the student’s control.

Course Policies

Academic Integrity and Student Conduct

This program employs the principles and procedures espoused by the [University of Washington Community Standards and Student Conduct guidelines](#) to maintain academic integrity in the course. The Code establishes the expectation that students will practice high standards of professional honesty and integrity.

In particular, implementation of the Code at the Foster School of Business prohibits cheating, attempted cheating, and plagiarism—including improper citations of source material—as it pertains to academic work. Suspected violations will be handled in compliance with the [University of Washington Student Conduct Code](#) as outlined in [Washington Administrative Code 478-121](#).

Copyright

The course content is for class purposes only and are to be used only by the student enrolled in the course. All rights reserved. No part of this course may be reproduced, distributed, or transmitted in any form or by any means, including photography, video recordings, screenshots, or other electronic or digital methods, without the prior written permission of the instructor.

Access and Accommodations

Your experience in this class is important. If you have already established accommodations with Disability Resources for Students (DRS), please communicate your approved accommodations to me at your earliest convenience so we can discuss your needs in this course.

DRS offers resources and coordinates reasonable accommodations for students with disabilities and/or temporary health conditions. Reasonable accommodations are established through an interactive process between you, your instructor(s), and DRS. It is the policy and practice of the University of Washington to create inclusive and accessible learning environments consistent with federal and state law.

If you have not yet established services through DRS, but have a temporary health condition or permanent disability that requires accommodations (conditions include but not limited to; mental health, attention-related, learning, vision, hearing, physical or health impacts), you are welcome to contact DRS at:

Website: <http://depts.washington.edu/uwdrs/>

Guide: [Getting Started / Accessing Resources](#)

Email: uwdrs@uw.edu

Phone: 206-543-8924

Fax: 206-616-8379

Course Evaluation

Course evaluations are done toward the end of the quarter during a predetermined time period. Students will have 24-48 hours to complete their course evaluation, which is delivered digitally from the UW Office of Educational Assessment.

All evaluations are anonymous and are used to make improvements to the course, and are included in a faculty member's annual review. It is important to complete the evaluations and provide your honest assessment both in the quantitative and qualitative measures.

Tech Support

Technology Requirements

This course requires Internet access and the following:

- ★ A web browser (use only [Google Chrome](#) or [Mozilla Firefox](#))
- ★ [Adobe Acrobat Reader](#) (free)
- ★ [Microsoft Office 365 ProPlus](#) (free for students & staff)

Network Use Policies

Please read the University of Washington's [Student Use of UW Computing Resources Policy](#).

Technical Support

Please email hmbahelp@uw.edu if you have issues with playback or downloading of any media, or Canvas issues. Please provide us with your operating system and browser, in addition to a screenshot of any error message that might help us troubleshoot.

Network Outages

To monitor the status of campus networks and services, visit the ITConnect eOutage Alert page at: <https://eoutage.uw.edu/>

Canvas Support

<https://itconnect.uw.edu/learn/tools/canvas/canvas-help-for-students/>

Syllabus Purpose and Disclaimer:

This syllabus serves as a guideline for what to expect in this class and an implicit agreement between the instructor and the student.

Before contacting the instructional staff, please review these documents first to see if your question is addressed. Every effort will be made to avoid changing the course schedule, but adjustments may be necessary to accommodate errors, omissions, or unforeseen events (such as weather events).

In the event changes are made to the syllabus, students will be informed during class, on the course website, and via email. It is your responsibility to be aware of these changes, so please check your email and the course site often.