FINA 760 – Financial Policies
Spring 2015

Instructor: Donghang “DH” Zhang

Office Hours: Tuesday & Wednesday 1:00 – 4:00pm or by appointments
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Class Website: Blackboard – log-in required.

Course Overview
This course provides students with the conceptual framework and the fundamental knowledge and skills to understand and analyze major financial decisions for corporations. We will cover investment and financing decisions, with special attention to some important corporate policy issues such as capital structure and raising capital.

The primary topics and the expected learning outcomes include:
- Understand time value of money (TVM) and be able to perform TVM calculations
- Understand and be able to perform the pricing of bonds and stocks
- Understand the relationship of risk and return and the theoretical foundations for the asset pricing models such as CAPM
- Understand the investment decision rules and be able to evaluate basic capital budgeting projects using various techniques
- Understand and be able to evaluate the factors that affect a firm’s capital structure decisions
- Understand the characteristics and cash flow attributes of options and be able to perform basic option valuation

The financial markets and various players are very creative, and new issues can keep arising. The most recent financial crisis is a good example. Although the world is constantly changing, the fundamental principles and theories remain the same. We will emphasize the underlying principles and theories that pertain to each of the topics. Meanwhile, it is important that students link the concepts and theories to their real world experience. Students are also encouraged to read the Wall Street Journal on a regular basis.

Students are encouraged to develop an appreciation of the sophistication of modern finance and the way financial economists approach financial issues. Although most of our discussions are implicitly or explicitly aimed at corporate settings, the basic concepts, the fundamental principles, and the method of thinking are useful and important regardless of your future business specializations.

Required Textbook and Materials
Required Text: Corporate Finance with MyFinanceLab, 3rd Edition, by Berk and DeMarzo (please note that registration information will be provided separately for
MyFinanceLab access. Please check with the bookstore or other sources you prefer to use as to how you purchase the book with the access to MyFinanceLab.

Excel/Calculator: You can use either a calculator or Excel to do homework and to take exams. If you use a calculator, a financial one should be more convenient. But you are encouraged to use Excel. Examples will be provided to help you to use Excel to handle some of our problems, and we will also use Excel for our capital budgeting case.

Grading
The grading components will be as follows:

<table>
<thead>
<tr>
<th>Grading Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Homework</td>
<td>35%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>45%</td>
</tr>
<tr>
<td>Whirlpool Case (Optional)</td>
<td>20%</td>
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<tr>
<td>Google IPO Case (Optional) Extra Credit</td>
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Homework: We will assign homework for each chapter that we cover through MyFinanceLab and/or Blackboard. Depending on the topic we cover each week, there could be multiple assignments from different chapters due at the same time. These assignments are designed to keep you up with the class. So the due time for the assignment(s) for a particular topic will be shortly after we finish the topic. It is important that you do these assignments on a timely basis, as the questions closely resemble what you will see on the exam.

Final Exam: The final exam will be an online exam via Blackboard. The exam date is Thursday April 30, 2014 for all sections. You can start the exam on Blackboard anytime between 9:30am – 6:30pm at the scheduled exam date. The exam will last about two and half hours. (Please note that you can start the exam at 6:29pm and will still have all the allowed length of time to finish the exam.) If you have to be out of town on the exam date, please make sure that you have time and internet access to take the exam. For those who really cannot take the exam as scheduled, please discuss it with me as soon as possible.

Whirlpool Case: The Whirlpool Europe capital budgeting case is required and will count 20% of your grades. This case, as well as the Google IPO case below, is copyrighted. Detailed instructions will be provided on how to obtain the case materials. This case will be done in groups. Each group should consist of three to five people. I encourage you to form a group at your earliest convenience (if you cannot form a group by the end of the first week of class, please (1) send a request on the Discussion Board on Blackboard, and/or (2) e-mail me and I will see if I can help you form a group).

Google IPO Case: The Google IPO case is optional. I will provide you an extra lecture on raising capital and some recorded instructions to help you work on the case. You are encouraged to write a case report following the lecture and the case instruction video. You can work with another student and submit one report (i.e., the max number of people in a group for this optional case is two). If your case report for the Google IPO case gets a B or better, your grade can be bumped up the next level (e.g., from a C+ to a B, from B+ to an A, etc.).
**Class Website**
The class website is a useful place where you can download files such as class notes, discuss questions and issues with other students (and the instructor), and do online assignments. Please make sure you can access and download files from the website.

**Quizzes and Exams:** One trial quiz will be given for you to practice taking exams online via Blackboard. The trial quiz will include more question formats than those might appear on actual quizzes and/or exams. Please make sure that you know how to handle the quizzes and exams online via Blackboard.

**Class Notes:** Class notes will be made available on the class website. These notes help you with notes taking. Key concepts will be carefully explained and numerical examples will be worked out in detail in class and in pre-recorded lectures. It is also important that you learn how to frame a question and how we approach it. So the lecture notes by no means can replace attending classes.

**Video Files:** Some lectures, as well as some complimentary materials for in-class discussions, will be pre-recorded. These video files will be placed on the class website (some could be placed on other university or business school servers if needed – instructions will be provided as to how you can access them if we do so).

**Class E-Mail**
Each student is required to have the e-mail account that is associated with the Blackboard system up to date. And you should check that e-mail account regularly. I often send e-mail messages to the class using the Blackboard system. Any class requirements sent in e-mail messages through the Blackboard are considered delivered.

**Class Format**
Class topics will generally follow the textbook, though we may take some significant detours where appropriate. A tentative class schedule is attached. It is important that you read the appropriate sections of the textbook before each class. Providing lecture notes should not be construed as an invitation to ignore the book or skip class.

**University of South Carolina Honor Code**
All forms of academic dishonesty are prohibited. These include cheating, plagiarism, lying in academic matters, fraud, bribery, unauthorized access to tests and examinations. I expect that all of you follow the highest possible interpretations of the honor code. Here is a copy of the Honor Code:

> It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violates this Honor Code or who knowingly assists another to violate this Honor Code shall be subject to discipline.

For more information about academic integrity issues, please go to the following website: [http://www.sc.edu/academicintegrity/](http://www.sc.edu/academicintegrity/).
**FINA 760 Tentative Course Schedule**

Please note that I will keep working on the recordings and updating the lecture notes for the next few weeks. So it is possible that more details will be added to the tentative course schedule (but it is unlikely that we change the final exam date).

Please note that for each live lecture (topic), both days of the week are included in the “Estimated Dates” column because the coverage for Tuesday and Wednesday of the same week is the same! We have two live lectures for the same materials so that we can accommodate all the people who enjoy once in a while live lectures. Please note that all the live lectures will be recorded and put in the video library as before.

Please note that we use both live and pre-recorded lectures to cover the topics. The topics below with “Recordings” being highlighted in the “Estimated Dates” Column will not be covered live. Pre-recorded lectures and a time table for you to work on those lectures will be provided. For the topics with a date in the “Estimated Dates” column, some of the materials will be covered in class, and some will be covered using pre-recorded lectures (and that is why you see “Recordings” after each topic). The recording of the live lectures will be handled by UTS and will be placed in the video library. The pre-recorded lectures will be placed on Blackboard.

**FINA 760 Tentative Course Schedule**

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<thead>
<tr>
<th>Lecture/A #</th>
<th>Topic</th>
<th>Chapter</th>
<th>Estimated Dates</th>
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<tbody>
<tr>
<td>LN01</td>
<td>Introduction, Basic valuation principles, Arbitrage</td>
<td>1, 2, 3</td>
<td>Tue 3/17; Wed 3/18; Recordings</td>
</tr>
<tr>
<td>LN02</td>
<td>Time value of money and Interest rates;</td>
<td>4, 5</td>
<td>Recording</td>
</tr>
<tr>
<td>LN03</td>
<td>Bond valuation and Stock Valuation</td>
<td>6, 9</td>
<td>Tue 3/24; Wed 3/25; Recordings</td>
</tr>
<tr>
<td>LN04</td>
<td>Capital budgeting: Investment decision rules and</td>
<td>7, 8</td>
<td>Tue 3/31; Wed 4/1; Recordings</td>
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<tr>
<td></td>
<td>Whirlpool Case</td>
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<tr>
<td>LN05</td>
<td>Risk-return relationship, portfolio theory, and asset</td>
<td>10, 11, 13</td>
<td>Tue 4/7; Wed 4/8; Recordings</td>
</tr>
<tr>
<td>LN06</td>
<td>Capital structure</td>
<td>14, 15, 16, 18</td>
<td>Tue 4/14; Wed 4/15; Recording</td>
</tr>
<tr>
<td>LN07</td>
<td>Options</td>
<td>20, 21</td>
<td>Tue 4/21; Wed 4/22; Recording</td>
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<td></td>
<td>Review and Beyond (Optional - Will do examples but will NOT cover new materials that will appear on the exam!)</td>
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<td>Tue 4/28; Wed 4/29</td>
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**Final Exam**

**Thursday, April 30, 2015**

<table>
<thead>
<tr>
<th>Bonus Lecture</th>
<th>Raising capital and equity issuances</th>
<th>23</th>
<th>Recording</th>
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Optional Case for Extra Credit: Google IPO case

Recording