
BAFI 502: “ADVANCED CORPORATE FINANCE” / ** PRELIMINARY & SUBJECT TO CHANGES **

Course Outline

COURSE GOALS

The course aims to familiarize students with working knowledge of key corporate finance decisions that are important in the life of a corporation and, more generally, to help students acquire an understanding of broad economic issues that are of wide applicability in many areas of corporate finance. In particular:

- To provide a solid conceptual understanding of valuation methods and key financial decisions.
- To develop expertise in using valuation methods and in analyzing the impact of financial decisions.
- To gain understanding of basic institutional details that are relevant for corporate finance practice.
- To stimulate further thinking on how financial issues interact with other corporate decisions.

LEARNING OBJECTIVES

While the main goal of the course is to familiarize students with some key ideas in corporate finance, we will also emphasize these concepts’ practical applications. This will be done through case studies, problem sets, and real-world examples. At the end of the course, students will be able to:

- Estimate a project’s cash flows and cost of capital, and ultimately value / analyze the project.
- Identify the benefits and costs associated with different capital structure and payout policies.
- Understand the mechanics of implementation and value implications of these financial policies.
- Make recommendations on the desirability of these financial policies for specific companies.

ASSESSMENT SUMMARY

<i>Case Write-Ups</i>	<i>20% (two @ 10% each)</i>
<i>Take-Home Quiz (individual):</i>	<i>20%</i>
<i>Class Participation:</i>	<i>10%</i>
<i>Final Exam:</i>	<i>50%</i>

BAFI 502: “ADVANCED CORPORATE FINANCE” / ** PRELIMINARY & SUBJECT TO CHANGES **

Course Outline

COURSE INFORMATION

Division: Finance

Section number: 001

Instructor: Hernan Ortiz-Molina

Term/period: Term 2 / Period 3

Website: <https://sites.google.com/site/hortizmolinaubc/>

Course duration: Jan 02, 2019 to Feb 8, 2019

Email: ortiz-molina@sauder.ubc.ca

Pre-requisites: BAFI 500

Phone: 604-822-6095

Class meeting times: Mon & Wed 16:00-18:00

Office: Henry Angus 876

Classroom location: HA 132

Office hours: by appointment

Course website: on Canvas

*** Make up class: Thursday, January 8, 2019, 16:00-18:00, HA 132 – To be confirmed***

BRIEF COURSE DESCRIPTION

This course covers four topics: (1) capital budgeting, (2) capital structure, (3) payout policy, and (4) valuation with leverage. The first deals with forecasting a project's earnings, identifying its free cash flow, calculating its cost of capital, computing its NPV, and analyzing it. The second deals with a firm's financing decisions, including the role taxes, bankruptcy/distress costs, information asymmetries, and agency problems. The third deals with a firm's decision to whether to pay out its excess cash to investors or to retain it in the firm, and whether to do it using dividends or repurchases. The last deals with the impact of debt financing on capital budgeting decisions, focusing on the weighted average cost of capital, flow-to-equity, and adjusted present value valuation methods. This course will be useful to students considering careers in corporate finance, investment banking, commercial banking, and consulting.

COURSE MATERIALS & REQUIREMENTS

Textbook: Berk, DeMarzo, Stangeland, *Corporate Finance*, 3rd Canadian Edition (BDMS).

Case studies (purchase): <https://hbsp.harvard.edu/import/586309> (available Dec 15)

On Canvas: Lecture notes, problem sets, guiding questions for cases, etc.

Name Tags: please place your name tag on your desk during lectures

Important:

Understanding the content of the lecture notes (conceptual discussion of all topics we cover) is essential to do well in the course. The lecture notes might contain blanks that we will fill in during class.

The problem sets do not need to be turned in as they are not graded. However, they are a key part of the learning process in this course. Work on them carefully either alone or in teams and master the material.

The textbook comes with access to *MyFinanceLab*, which is a good online source of practice. Use of this resource for additional practice is entirely optional **is not** a substitute for working on the problem sets.

BAFI 502: “ADVANCED CORPORATE FINANCE” / ** PRELIMINARY & SUBJECT TO CHANGES **

Course Outline

ASSESSMENT

1. Case write-ups (group assignments) – 20%:

The instructor will form groups of **3 or 4** students and make the list available on **Friday January 4** through Canvas. Each group will work on two case studies and submit their work as a group. Each group must submit a **two-page memorandum (font 12 points)** by the due date (write-ups will not be accepted afterwards). In addition to the two pages of text, you can add tables or charts provided that you refer to them in the text. Broad questions to guide your analysis of the cases are available on Canvas.

2. Take-Home Quiz (individual) – 20%:

The quiz will contain questions related to those in the practice material and you will have about a week to work on it. It is due **on the last day the class meets (Wednesday January 30th)**. Students who miss the deadline will have all of the weight of this assignment transferred to the final exam. The assignment is **individual** (i.e., joint work on this assignment would be considered academic misconduct).

3. Class Participation – 10%:

Class participation, especially in the discussion of the assigned case write-ups, is critical to the learning process and thus will receive some weight in your evaluation. Questions are always welcome in class.

4. Final Exam (date TBA) – 50%:

The final exam will be a mixture of multiple choice questions, longer essay type questions, and problems requiring numerical solutions. The best way to prepare for the exam is by understanding (i) the lectures notes, (ii) the class discussions of cases, and especially (iii) the problem sets. In addition, I recommend reading the relevant chapters of the textbook. Remember to bring a calculator on the day of the exam.

TEACHING & LEARNING ACTIVITIES

The plan is simple:

The instructor will guide the conceptual discussion of the topics based on the material contained in the lecture notes. Ideally, students should read the lecture notes and relevant book chapters before coming to class.

After we discuss the material in class, you should carefully work on the problem sets on your own. Note that on Canvas you have two versions of each problem set, one with the solutions and one without.

You will read the cases and prepare a memo that you will submit for grades. We will then discuss the case in class. The instructor will not present the case; instead I will guide a discussion among students.

For the first class, print and bring notes, and bring name tags.

BAFI 502: “ADVANCED CORPORATE FINANCE” / ** PRELIMINARY & SUBJECT TO CHANGES **

Course Outline

SCHEDULE

We will cover five specific topics and we will discuss two case studies. Below is the order of the topics, indicating the corresponding lecture notes / problem sets, associated textbook readings, and assignments due. We will typically spend a little more than a class for each of the topics and at most a class for each of the case studies. However, the exact class-by-class schedule is hard to predict as it really depends on how things are going.

LECTURE	CLASS TOPIC	BDMS Chapters	WHAT'S DUE
Lecture 1	Valuation (DCF & Multiples)	9 ; 12 ; 22	
Lecture 2	Case: Buffet's bid for Media General's Newspapers		(write-up required)
Lecture 3	Modigliani-Miller Propositions	17 ; 18 (excl. 18.4)	
Lecture 4	Theories of Capital Structure	19	
Lecture 5	Case: Massey-Ferguson 1980		(write-up required)
Lecture 6	Payout Policy	20 (excl. 20.7)	
Lecture 7	Capital Budgeting with Debt: WACC & APV	21 (21.1-21.3 , 21.5- 21.6)	

Note: the BDMS are background readings that cover the basics well, but we will not follow the textbook exactly.

CASE WRITE-UPS DUE DATES

Case 1: Monday January 14 – **to be confirmed**

Case 2: Monday January 21 – **to be confirmed**

Note: the case write-up due dates are fixed and are independent of exactly what material we have covered in class by that time. Understanding the cases only requires broad knowledge of the topic that likely you already have coming into the class. However, if you feel that you require some more background before working on the cases, you can read the relevant chapters in the textbook.

INDIVIDUAL TAKE HOME QUIZ DUE DATE

Wednesday January 30 (last day of classes)

BAFI 502: “ADVANCED CORPORATE FINANCE” / ** PRELIMINARY & SUBJECT TO CHANGES **

Course Outline

COURSE AND INSTITUTIONAL POLICIES

Attendance: As per RHL policy on Professionalism, Attendance and Behaviour, students are expected to attend 100% of their scheduled classes. Students missing more than 20% of scheduled classes for reasons other than illness will be withdrawn from the course. Withdrawals, depending on timing, could result in a “W” or an “F” standing on a student’s transcript. Students must notify their instructors at the earliest opportunity if they are expected to miss a class due to illness. A medical note from a licensed, local doctor is required if more than 20% of scheduled classes for a course are missed due to illness. Students are required to notify the Student Experience Manager if they are absent from two or more classes due to illness.

Tardiness: As per RHL policy on Professionalism, Attendance and Behaviour, students are expected to arrive for classes and activities on time and fully prepared. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving halfway through a scheduled class, or later, will be treated as absent for that class.

Electronic Devices: As per RHL policy on Professionalism, Attendance and Behaviour, laptops and other electronic devices (cellphones, tablets, personal technology, etc.) are not permitted in class unless required by the instructor for specific in-class activities or exercises. Cellphones and other personal electronic devices must be turned off during class and placed away from the desktop. Students who fail to abide by the RHL “lids down” policy will be asked to leave the room for the remainder of the class. Research has shown that multi-tasking on laptops in class has negative implications for the learning environment, including reducing student academic performance and the performance of those sitting around them.

ACADEMIC INTEGRITY

All UBC students are expected to behave as honest and responsible members of an academic community. Failure to follow appropriate policies, principles, rules and guidelines with respect to academic honesty at UBC may result in disciplinary action.

It is the student’s responsibility to review and uphold applicable standards of academic honesty. Instances of academic misconduct, such as cheating, plagiarism, resubmitting the same assignment, impersonating a candidate, or falsifying documents, will be strongly dealt with according to UBC’s procedures for Academic Misconduct. In addition to UBC’s Academic Misconduct procedures, students are responsible for reviewing and abiding by RHL’s policy on Academic Integrity.

LATE ASSIGNMENTS

Late submissions will not be accepted and will receive a zero.
