

THE OHIO STATE UNIVERSITY
Fisher College of Business
Department of Finance

COURSE SYLLABUS

Business Finance 7210

CORPORATE FINANCING

Autumn Semester 2019 (First Session)

Wednesdays, 6.15 pm – 9.30 pm, ROOM 355 Gerlach

Instructor Information

Prof. Jonathan Ramsden
Office Hours: see section below
Phone: 917 415 8852
E-mail: ramsden.4@osu.edu

Course Description

BUSFIN 7210 builds upon the principles of corporate finance covered in 6223 (which may be taken concurrently) to address the firm's financial decisions around capital structure, capital allocation and payout policies. Specifically, we begin by examining the firm's capital structure (or financing) decision, which examines the amount and mix of financing required to finance investment projects. This section will also include an overview of capital markets. We will then examine the firm's payout decision, which involves when and how much of the firm's free cash flow should be returned to its owners, and put this in the context of the firm's overall approach to capital allocation. In addition to these core financial decisions, the course will also introduce the topics of Initial Public Offerings and Seasoned Equity Offerings.

Pedagogy

Course material will be delivered through a mixture of lectures and case discussions. The course will cover the theory of key corporate finance decisions, but also examine core concepts from a practical perspective. The latter will be accomplished by drawing on my own corporate experience, and through the participation of guest lecturers from areas such as investment banking, capital markets, and institutional investing.

Case discussions will enable you to practice your understanding of the covered topics in a real-life setting. Occasionally, I will supplement your readings with articles from applied finance academic journals and the business press. My goal is to enhance your

understanding of how various constituencies (the board, management, investors, analysts) view the key financial decisions faced by today's public and private firms.

Course Prerequisites

The only prerequisite is completion of MBA 6223 (which may be taken concurrently.) It is my intention to teach a self-contained course, meaning that I will provide brief reviews of background concepts when needed.

Textbooks and Course Materials

I have assigned one required textbook and a list of cases for class discussion. I also list below a few other useful texts for your reference. Please note that these other textbooks are NOT formally assigned as recommended for this course.

The required textbook is:

- *Financial Management: Theory and Practice* by Eugene Brigham and Michael Ehrhardt, Cengage Learning, 15th edition, 2017

Lecture notes, case discussion preparatory questions, as well as supplemental readings and course announcements will be posted on the course web page. The course web page is available through Canvas, the university's course management system (<http://carmen.osu.edu>). Materials will be posted on Canvas no later than one day prior to class. I strongly recommend that you check the course web page regularly, both for new materials and for class announcements.

Other useful texts are:

- *Corporate Finance*, by Jonathan Berk and Peter DeMarzo, 4th edition, Prentice Hall, 2013
- *Applied Corporate Finance*, by Aswath Damodaran, 3rd edition, John Wiley, 2010
- *Strategic Corporate Finance: Applications in Valuation & Capital Structure*, by Justin Pettit, John Wiley, 2007
- *Behavioral Corporate Finance: Decisions that Create Value*, by Hersh Shefrin, McGraw-Hill, 2007

Case Discussions

To enhance your understanding of course material, we will discuss several cases in class. Cases present real-world, complex problems faced by financial managers that require analysis and use of judgment to reach important business decisions. Cases are used extensively in most graduate business courses.

The use of case studies is a very effective learning method because it emphasizes student self-learning rather than a passive absorption of knowledge. Students learn to develop their critical thinking and use their judgment to make decisions. Case discussions do not

always lead to a single “right” course of action for the decision-maker. Rather, different recommendations may be justified based upon sound financial assumptions and a thorough analysis of the situation at hand. Therefore, the analysis and discussion of cases is very useful because it teaches students how to use the principles of finance to define and analyze problems, work as a member of a team, and make recommendations for the best course of action.

You are expected to purchase the following cases – all cases are from Darden Business School or HBS – from *study.net*:

- *Structuring Corporate Financial Policy*
- *California Pizza Kitchen*
- *Stone Container*
- *Autozone*
- *Ferrari: The 2015 Initial Public Offering*

Each student is required to submit an INDIVIDUAL CASE BRIEF on the day of the applicable case discussion (please see course schedule) and a TEAM CASE BRIEF.

Case briefs should be of a MAXIMUM 2 PAGES and include the following: a) statement of main issues in the case; b) financial analysis of main issues; c) your recommendations. You MUST use 12-point font, double-spaced paragraphs, and default Microsoft Word margins. There is no limit on the number of attached exhibits.

PLEASE NOTE THAT, ACCORDING TO STANDARD CASE DISCUSSION PRACTICE, THE INSTRUCTOR IS NOT ALLOWED TO DISCUSS THE CASE WITH ANY STUDENT BEFORE THE SCHEDULED CLASS DISCUSSION.

Office Hours

Other than on August 21st and August 28th, I will have office hours on Wednesdays from 5.00 PM – 6.00 PM. I will also be available by appointment at other times. Office hours will be held in the conference room adjacent to Professor George Pinteris’s offices at 306A Fisher Hall. I encourage you to schedule an appointment to discuss any questions, comments or suggestions you may have about the course.

Class Format

Courses that use the case method of teaching have a very different class format from other courses. In other courses, students are engaged in a passive form of learning and are expected to learn and practice skills primarily through homework and exams. Courses that utilize the “case study” method assume an active form of learning on the part of students. The following four principles are ESSENTIAL components of a student’s success in a case course:

- **Participation:** Learning in a case course takes place primarily through active class participation. Students are strongly encouraged and are responsible for sharing their understanding and views on each case with the rest of the class. As you can tell from the grade composition, class participation is very important and comprises a significant portion of your course grade.

- **Preparation:** To effectively participate in class discussion of cases, students must come to class well prepared. Students should study each assigned case in advance, identify the main participants and the problem(s) faced, and prepare to ask and answer questions. It is very important that you work to analyze the case before it is discussed in class. You must be prepared to offer your judgment and recommendation for the situation presented in each case. You should feel free to visit me during office hours or set up an appointment, if you need help with preparing for a case. In addition, you should read any assigned background readings. Again, I emphasize that students must prepare well before arriving to class.
- **Presence:** The only way to learn and succeed in this course is to be present and participate in each and every class. Reading a text or copying notes from your fellow students cannot substitute for the insight and knowledge that you will acquire through participation in class discussions.
- **Promptness:** Students must make sure that they arrive before the beginning of each class. Students who arrive to class late disrupt the discussion and impose a burden on their fellow students' learning experience. If, for some reason, you happen to arrive to class late, please enter quietly and do not disturb your fellow students.

It is clear from the above that students must make a COMMITMENT to prepare for each case and actively participate in class discussions. This point cannot be emphasized enough! You should be prepared to answer questions or offer your opinion on the case under discussion. I also strongly encourage you to take a stand and offer your recommendation for action by management based upon your analysis. Remember, case studies describe real-world business situations. There is typically more than one course of action that can be taken. It is not as important to discover which particular action will eventually be taken as it is to learn to provide a recommendation based on financial principles and solid analysis. I strongly encourage you to read the handout "Note to the Student: How to Study and Discuss Cases" by Robert F. Bruner.

Grading Procedures and Policies

Course Grade: The course grade will be based on the following: class contributions, a team case assignment, an individual case assignment, and a final take-home examination. Instructions for the final case examination will be provided as we near the end of the term.

The final grade composition is as follows:

Class Contributions	30%
Team Case Brief	20%
Individual Case Brief	20%
Final Case Examination	30%

As required by school policy, grading will be based on relative rather than absolute standards.

Participation Grades: The quality of your participation will be graded after each class discussion on a scale of zero to three points. Participation grades will be based on the following criteria:

- 0 points: No participation or observations
- 1 point: Contributes relevant information or facts, asks critical questions concerning the discussion in class, reading assignments and responses to comments of classmates
- 2 points: Provides an interpretation of relevant information and/or facts that is based on analysis and, in turn, advances the discussion to other related topics
- 3 points: Provides contributions that leads the discussion to a significantly higher level of thought; or presents an analysis and interpretation of the relevant information that results in a solution to the case

You are encouraged to work independently in preparing for each case. However, it will be very helpful to form a study group in order to discuss your analysis and interpretation of each case, which will help you to prepare more effectively for class.

Each student is permitted to have NO MORE THAN ONE excused absence throughout the term. Please notify me of your absence before the specific date by e-mail. Unexcused absences will have a significant impact on your participation grade.

Team Case Brief: The Team Case Brief will comprise 20% of your total grade. I would like you to form teams of four or five students and inform me of each team's members as soon as possible but no later than September 3rd. For the Team Case Brief, each team member will receive the grade assigned to the submitted team report. In addition, each of you will be asked to rank your fellow team members in terms of their effort and contribution to the Team Case Brief. Team evaluations will be taken into consideration in assigning final individual grades for any team assignments. Students **MUST** submit a team evaluation in order to receive a grade in the course.

The Team Case Brief will be a take-home exercise. A completed case analysis shall be no more than TWO double-spaced typewritten pages. Exhibits are not included in this limit.

Case briefs will be due prior to the beginning of class on the date stated in the course schedule. Please submit a hard copy of your case brief with a cover note on you must include the following statement: *"On my honor as a student of the Fisher College of Business I have neither given nor received unauthorized aid on this exam"*. Please type the names of all team members below the pledge, which affirms the credibility of your pledge. Your names should NOT appear in the attached case brief. Please also submit a copy of your Team Case Brief through Turnitin (see below.)

Individual Case Brief: The Individual Case Brief will comprise 20% of your total grade. This will be a take-home exercise. A completed case analysis shall be no more than TWO double-spaced typewritten pages. Exhibits are not included in this limit. Case briefs will be due prior to the beginning of class on the date stated in the course schedule. Please submit a hard copy of your case brief on the due date and include the following statement: *"On my honor as a student of the Fisher College of Business I have neither given nor received unauthorized aid on this exam"*. Your name should not appear in the attached case brief. Please also submit a copy of your case Individual Case Brief through Turnitin (see below.)

Final Case Examination: The final examination will comprise 30% of your final grade. This will be a take-home examination and will be assigned on the last day of classes. The final examination must be completed by October 9th. Detailed instructions will be provided as we approach the date of the final examination.

Please note the following rules for class participation:

- Select a seat and use the same spot in each and every class.
- Always use your name plate (do not forget to bring it with you to class).

Academic Integrity

From the Fisher College statement on your obligation to maintain academic integrity:

“As a member of the Fisher College of Business community, I am personally committed to the highest standards of ethical behavior. Honesty and integrity are the foundation from which I will measure my actions. I will hold myself accountable to adhere to these standards. As a leader in the community and business environment, I will pledge to live by these principles and celebrate those who share these beliefs.”

Students are responsible for knowing and abiding by these standards.

Academic Misconduct

Cheating is grounds for failing this course and additional sanctions. In accordance with faculty rule 3335-5-487, all instances of alleged academic misconduct will be reported to the university Committee on Academic Misconduct. If the committee concludes that a violation has occurred, it recommends appropriate sanctions to the Office of Academic Affairs. As stated in the university’s Code of Student Conduct (<http://studentaffairs.osu.edu/resources/>), students have an obligation to report academic misconduct. Such misconduct can be reported to the appropriate faculty member or program dean; confidentiality is protected.

Permitted collaboration for this course is as follows:

- Team Case Brief – Collaboration with *teammates only*
- Individual Case Brief – *No collaboration*

Turnitin

Students at The Ohio State University are accountable for the integrity of the work they submit. Therefore, you should be familiar with the guidelines provided by the Committee on Academic Misconduct (COAM) and Section A of OSU's Code of Student Conduct in order to meet the academic expectations concerning appropriate documentation of sources. In addition, OSU has made Turnitin, a learning tool and plagiarism prevention system, available to instructors. For this class, you will submit your papers to Turnitin from Carmen. When grading your work, I will interpret the originality report, following Section A of OSU's Code of Student Conduct as

appropriate. For more information about Turnitin, please see the vendor's guide for students. See also the information for students in the Turnitin Feedback Studio (https://guides.turnitin.com/01_Manuals_and_Guides/Student_Guides/Feedback_Studio). Note that submitted final papers become part of the OSU database.

Section A of OSU's Code of Student Conduct defines plagiarism as '...the representation of another's work or ideas as one's own; it includes the unacknowledged word-for-word use and/or paraphrasing of another person's work, and/or the inappropriate unacknowledged use of another person's ideas.'

Disability Accommodation

To ensure that disability-related concerns are properly addressed from the beginning, students with disabilities who require reasonable accommodations to participate in this class are asked to contact the Office of Disability Services (150 Pomerene Hall, 292-3307). Please also inform me of any arrangements you are making with ODS.

Suggestions for Effective Team Performance

The following suggestions (taken from Robert Bruner's cases textbook) are necessary, but not sufficient, conditions for effective team performance. A major factor in a team's success is each member's effort and dedication to the success of the team. It is crucial that you develop a good working relationship with your teammates. Each member should hold every other member accountable for their contribution to the team's performance.

- ✓ Members commit to the success of the team.
- ✓ The team plans ahead, leaving time for contingencies.
- ✓ The team meets regularly.
- ✓ Members show up for meetings and are **prepared** to contribute.
- ✓ There may or may not be a formal leader, but the assignments are clear. Team members meet their assigned obligations.

COURSE SCHEDULE

(Assigned readings are from the required text by Brigham & Ehrhardt, 15th edition.)

DATE	CLASS TOPIC	ASSIGNED READINGS
August 21	Course Introduction	
	Overview of Corporate Financing Options	Chapter 1 Lecture Notes
August 28	The Firm's Capital Structure Decision	Chapter 15 Lecture Notes
	Case Discussion: Structuring Corporate Financial Policy	Assigned Reading
September 4	Guest Lecturer: Bill Zox, Chief Investment Officer – Fixed Income Diamond Hill Capital Management	
	The Firm's Capital Allocation Process: Introduction	Chapter 14 Lecture Notes
September 11	Case Discussion: California Pizza Kitchen (Team Case Brief to be submitted prior to beginning of class)	Assigned Questions
	The Firm's Capital Allocation Process: Dividends and Share Repurchases	Chapter 14 Lecture Notes
September 18	Guest Lecturer: Matthew Milcetic, COO, Huntington Capital Markets	
	Case Discussion: Stone Container	Assigned Questions

September 25

Securities Offerings: IPOs and SEOs

Chapter 18
Lecture Notes

Case Discussion: Autozone
**(Individual Case Brief to be submitted prior to
beginning of class)**

Assigned
Questions

October 2

Guest Lecturer:
Rohit Singh, Managing Director, Morgan Stanley

Case Discussion: Ferrari

Assigned
Questions

October 3-9

Final Examination
(Details to follow)