SYLLABUS and COURSE OUTLINE
F402 / F560  Corporate Financial Strategy and Valuation
Indiana University Kelley School of Business
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Index to this Document

Calculators ........................................3
Canvas ................................................3
Cheating ...........................................5
Course Objectives .............................1
Course Website .................................3
Dictionaries ......................................4
Dropping ...........................................5
Email ................................................3
Examinations ...................................3
Excel ................................................2
Grading Policy .................................4
Harassment ......................................6
Homework Assignments .................4
Honor Code .....................................5
Learning Outcomes .........................2, 7
Plagiarism ........................................5
Professional Conduct .....................5
Teams ..............................................4
Textbook .........................................2
Undergraduate Business Learning Goals ...7
Writing Assistance ..........................4

Course Objectives

This course will provide an introduction to the valuation of a firm, and to strategic issues which affect the market value – or acquisition price – of a company. We will use computer financial models in Excel as a tool for understanding a company’s value drivers and the impact on a company’s value due to different potential operating strategies. Valuation of a firm will be explored using discounted cash flow (DCF) analysis and economic value added (EVA).
In particular, this course is directed at the following learning outcomes. These learning outcomes are associated with the Kelley School’s Student Learning Outcomes (SLO). The specific SLO references are included in parentheses in the learning outcomes below. Copies of the Undergraduate Business Learning Goals and Student Learning Outcomes are included in the appendix at the end of this document.

Upon successful completion of this course, students will be able to:

1. Explain the major factors which affect the market value of a firm and how those factors can be measured. (SLO 1b.1, 1b.2, 1b.3)
2. Use a variety of publicly available resources to collect information necessary to calculate the market value of a firm. (SLO 1b.1, 1b.2, 1b.3, 2.2)
3. Reorganize a firm’s financial statements in such a way as to highlight the cash going into and coming out of the operations of a business. (SLO 1b.1, 1b.2, 1b.3, 2.2)
4. Construct a forecast model in Excel to compute the market value of a firm, using several steps and methods to compute the valuation, including the following. (SLO 1b.1, 1b.2, 1b.3, 1c.1, 1c.2, 2.2)
   a. The discounted present value of forecast free cash flow (DCF).
   b. The discounted present value of forecast economic value added (EVA).
   c. The valuation of long-term results (a perpetuity, or “horizon value”).
   d. The estimation of an appropriate weighted average cost of capital for the firm, relating the cost of capital to the riskiness of the firm and its cash flows.
   e. The valuation based on multiples of various operational and financial factors.
5. Justify in writing their judgments about the numbers to use in these forecasts and calculations. These judgments will be based on research into the company’s history and prospects. (SLO 1b.3, 2.2, 2.3, 3.1)

Required Items

ISBN: 0-88730-418-4

This book has not changed substantially since it was first published, so buying a used book is perfectly all right.

Optional (for reference):
Ross, Westerfield, and Jordan, *Essentials (or Fundamentals) of Corporate Finance*, which is the textbook used in F371 (F301), F374 (F304) and F305. It’s optional but useful.


You also may want to retrieve an old, basic accounting textbook.

Excel: We will use Microsoft Excel to construct spreadsheet models. Please make sure you have a recent version. The Microsoft Office suite (Excel, Word, PowerPoint and more) is available in the campus bookstores at student discounts, or download it at no charge from iuware.iu.edu. Either the Windows or the Mac version of Excel will work fine for this course. Both are available from iuware.
**Calculator:** The financial calculator used in F371 (F301) and F305 is required: TI BAII Plus, or HP 10B, or HP 12C. You must have a calculator which will compute the NPV of nonconstant cash flows.

**Canvas:** Canvas will be used for posting homework assignments, class materials and the gradebook.

**Email:** You are encouraged to email me as much as you want with questions about the material or the course. Please use *regular Internet email*, not Canvas.

**Important:**  
*I do NOT check Canvas for messages. If you send me a message in Canvas, you will not get a response.*

My email address is: *jamcsmit@indiana.edu*. (Note the letters – there is no H.)

**Important:** I will use the *email address shown for you in Canvas* to send messages to you. Take a look at the Canvas roster (the “People” section) to see the address I will be using. If you would like to forward this address to another email account (such as IU’s umail, or Gmail, Hotmail or Yahoo!), that is easy to do. See instructions at *http://kb.iu.edu/data/beoj.html* and *http://kb.iu.edu/data/berh.html*.

**Note:** *Important F402/560 information may be sent to you by email. It is your responsibility to check your IU email frequently.*

**Laptops and cell phones:** I’m afraid I must insist that using *laptop computers, iPads, cell phones* or any similar personal electronic device during class is *not permitted*. Points may be deducted from your scores for using laptops, cell phones, etc. during class or for texting during class.

**Examinations**

There will be two in-class exams, and three short in-class quizzes. The dates are shown on the course calendar, posted on Canvas.

**No makeup exams** will be given. If you miss one exam for any reason other than illness, I will just assign you a score for that exam equal to your other exam score less twelve percentage points. A medical form signed by a doctor, which we can verify, will be required for missing an exam due to illness (no point deduction for illness).

Only one missed exam is subject to this makeup policy. If you miss a second exam, you will have to take a zero for both exams.

If you *take* an exam and your score is *less than* other-exam-less-twelve, I will give you the other-exam-less-twelve score. So it’s as if you did not take that exam.

The other-less-twelve policy does *not* apply to quizzes.

The exams and quizzes are closed book and will consist of multiple choice, qualitative questions, and numerical problems.

A formula sheet will be provided with each exam and quiz.
Your **financial calculator is required** for the exams. Any calculator other than the three approved units (TI BAII Plus, HP10B, HP12C) **must be approved by me in advance** before you can use it for an exam.

No sharing of calculators. No smart phones, iPads, Apple Watches or similar electronic devices are permitted during exams. I do not bring extra calculators to exams, so make sure your calculator has fresh batteries.

**Special accommodations:** Students needing accommodations because of a disability must register with Adaptive Educational Services (AES) and complete the appropriate forms issued by AES before accommodations can be given. The AES office is located in Taylor Hall, UC 100. You can also reach the office by calling 274-3241. Visit [http://aes.iupui.edu/](http://aes.iupui.edu/) for more information.

**Dictionaries:** If English is not your first language you may use a hard-copy translating dictionary during the exams. However, you must **show me the dictionary before the exam begins** to get approval to use it. Electronic dictionaries are not permitted. Sharing of dictionaries is not permitted.

### Homework Assignments and Teams

Homework assignments will require you to construct an Excel spreadsheet and submit it electronically. Points will be deducted for late submissions. Due dates for the homework assignments are shown on the course calendar, which will be posted on Canvas. Due dates are subject to change, and any changes will be announced as we go through the semester.

You may form **teams of two or three** to do the F402/560 homework assignments. Teams of four may be approved by special request, if certain understandings are reached.

Working in teams is not mandatory, but most people find it really helps. You are free to form your own teams – I will not assign teams. Also, you are free to work as an individual if you prefer, but the homework assignments often require extensive work in Excel, and it’s certainly easier if you are part of a team.

If one member of the team is not contributing – or for any other reason – you are free to dissolve your team, or to reform into different teams, at any time. All members of the team will receive the same grade on the assignment. **Make sure you show all the names on your homework assignments.** Points will be deducted if not all names are shown on the submitted file.

**Writing:** Correct English usage, grammar and punctuation are required in all assignments and email correspondence (e.g., do not start an email with “Hey, Professsor”). Even Excel has a spell-checker, but copy editing is vital, too: spell-checkers don’t catch everything. Try to write like the Wall Street Journal. The campus has a good source for **answers and assistance with writing**, Contact University Writing Center at [http://www.iupui.edu/~uwc/](http://www.iupui.edu/~uwc/)
Grading Policy

Your final course grade will be the average of four components: the average score from the first two homework assignments and the in-class quizzes, the score on the Midterm, the score on Assignment 3 and the score on the Final Exam. The weights for determining your course grade are:

- Assignments 1, 2 and quizzes 25%
- Assignment 3 20%
- Midterm Exam 25%
- Final Exam 30%

Your final course grade will be the result of a mathematical calculation. There is no opportunity for extra credit work in F402/560.

**Assignment 3 is required.** If you do not turn in Assignment 3, you cannot pass the course.

Drop Policy

This course adheres to the standard campus drop policy. The dates for an automatic W and other relevant dates are shown on the IUPUI Registrar website.

Social networking sites

Social networking websites will not be used in F402/560. I do not have a Facebook page, and I do not use Twitter. If you see a site that purports to be mine, you can be sure it is a fake.

Professional Conduct

A reputation for honesty and respect is crucial to success in business. Honesty and respect are therefore important parts of the way the Kelley School of Business operates.

Copying answers on an examination, or providing unauthorized assistance to another student, constitutes cheating. Any instance of cheating on an exam will result (at a minimum) in an immediate failing grade for the course.

*Looking at a cell phone during an exam is automatically presumed to be cheating on the exam. Cheating on an exam results in an F for the course.*

Because of the importance of honesty in business, leniency is not available in cases of cheating. KSBI instructors work closely with student academic misconduct committees to prosecute any instance of cheating.

All students are expected to contribute to the team homework assignments. Each team must produce its own homework assignment spreadsheet. Submitting a copy of another person’s homework spreadsheet as your own constitutes cheating.

Submitting words written by someone else, or copied from a public document, without quotation marks and proper attribution constitutes plagiarism. Major grade reductions will be the penalty for plagiarism.

These class meetings should be treated like business meetings. In a business meeting with other senior executives, you would make sure your cell phone is turned off, you would not carry on a private conversation while someone else is speaking, you would not be reading the newspaper or texting, and you would not walk in and out of the room while the meeting is underway. That kind
of thing should not happen in this class, either. Points may be deducted from your scores for disrespectful behavior or other actions which are not appropriate for a business setting.

For further information on the subject of academic integrity at Kelley, see the Kelley Honor Code, available at:

http://kelley.iu.edu/Ugrad/Academics/HonorCode/page39065.html

**Harassment**

Every student has the right to be free from sexual or discriminatory harassment both while on-campus and when engaged in a class-related activity off-campus. The following link will take you to the university web page that discusses your right to freedom from harassment:


If you believe that you are being subjected to harassment, you should contact Jane McDonald in the Kelley School of Business Office of Academic & Professional Development (KAPD). The University will work with you to protect your privacy by sharing information with only those that need to know to ensure the University can respond and assist.

**Campus Policies**

There are a number of campus-wide policies governing academic misconduct procedures and other aspects of the operation of courses at Kelley-Indianapolis. These can be found at http://registrar.iupui.edu/course_policies.html. These policies apply to this course unless otherwise stated in the syllabus or course material.
APPENDIX

Indianapolis Undergraduate Business Learning Goals and Student Learning Outcomes (SLOs)

1a. Business Language (Maps to IUPUI PUL 1a – Language Skills)
Students will prepare and deliver written and oral messages that effectively express ideas and facts to others. Students will prepare and deliver effective oral and written persuasive arguments.

- SLO 1a.1: Prepare and deliver both planned and impromptu oral presentations on selected business topics.
- SLO 1a.2: Critique, revise, and improve written and oral communication for both self and others.
- SLO 1a.3: Express business ideas in writing, taking message structure, audience, and content into consideration.

1b. Business Quantitative Skills (Maps to IUPUI PUL 1b – Quantitative Skills)
Students will perform quantitative analysis and use the results to make business decisions.

- SLO 1b.1: Identify the appropriate technique, tool, or concept needed to analyze and solve a business problem or make a business decision.
- SLO 1b.2: Apply a technique, tool, or concept to solve a business problem or make a business decision.
- SLO 1b.3: Interpret or evaluate the results of quantitative analysis to solve a business problem or make a business decision.

1c. Information & Business Resource Skills (Maps to IUPUI PUL 1c – Information Resource Skills)
Students will analyze business problems, situations and opportunities by identifying and applying appropriate and relevant information.

- SLO 1c.1: Identify and use current technologies to transform raw information into usable formats that enable decision-making.
- SLO 1c.2: Use technological concepts and relevant computer programs to solve business problems.
- SLO 1c.3: Apply technological concepts to organize, streamline, or improve contemporary business events.

2. Critical Thinking in Business (Maps to IUPUI PUL 2 – Critical Thinking)
Students will arrive at reasoned conclusions and make informed decisions in assessing current and predicted business situations by applying course concepts learned across the curriculum.

- SLO 2.1: Identify and describe the problem, issue, or dilemma in a given business situation.
- SLO 2.2: Gather, analyze, and evaluate information relevant to solving the business problem, issue, or dilemma.
- SLO 2.3: Articulate possible solutions to the problem, dilemma, or issue, supporting each with data or analysis.
- SLO 2.4: Select and defend the best solution to the business problem, issue, or dilemma.

3. Professional Skills & Competencies (Maps to IUPUI PUL 3 – Integration & Application of Knowledge)
Students will apply substantial knowledge and understanding in their chosen major in the study of business.

- SLO 3.1: Explain how decisions in one business functional area affect other functional areas of business.
- SLO 3.2: Meet professional standards and demonstrate competence in important skills and knowledge in a chosen field of study.
4. Integrative Business Reasoning (Maps to IUPUI PUL 4 – Intellectual Depth, Breadth and Adaptiveness)

Student will assimilate data from different sources, and use more than one business discipline to develop a model to solve a business problem.

- SLO 4.1: Define and analyze unstructured problems and ambiguous situations.
- SLO 4.2: Solve business problems requiring analysis and deductive reasoning.
- SLO 4.3: Explain the cross-functional implications of problems and situations.
- SLO 4.4: Propose solutions to problems and situations that include cross-functional perspectives.

5. Diversity & Collaboration in Business (Maps to IUPUI PUL 5 – Understanding Society & Culture)

Students will use their understanding of the importance of diverse worldviews and practices, cultural competencies, and sociocultural and socioeconomic factors to foster cooperation and teamwork.

- SLO 5.1: Identify the strengths and weaknesses of multiple viewpoints and incorporate multiple values in business decisions.
- SLO 5.2: Explain the dynamics of culture in work groups, teams, and organizations.
- SLO 5.3: Apply intercultural communication skills to communicate, solve problems, make decisions, and resolve conflict.
- SLO 5.4: Explain the dynamics of motivation in the business context.

6. Business & Management Ethics (Maps to IUPUI PUL 6 – Values & Ethics)

Students will make business decisions that seek to align their personal values and beliefs (integrity) and respond to the expectations of others, the organization, and society.

- SLO 6.1: Articulate the link between one's personal value system and those of others in business or society.
- SLO 6.2: Identify possible ethical problems or issues in a given business situation.
- SLO 6.3: Select and apply appropriate analytical frameworks of ethical thought and reasoning to a given ethical dilemma.
- SLO 6.4: Identify potential resolutions to ethical dilemmas and assess the impact on stakeholders