

California State University, East Bay/Institute of Business and Economics

MBA Program in Moscow

FIN6215: Corporate Financial Management

Summer 2012

Instructor: Dr. Gregory Perelman **Class Web site:** www.gperelman.com
Office Hours: 5:30 pm (before every class) **Class Meetings:** 6:30-9:45 pm
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Course Objectives:

OBJECTIVE I: GAIN KNOWLEDGE OF CORE CONCEPTS OF FINANCIAL THEORIES AND THEIR APPLICATION IN CORPORATE VALUE MAXIMIZATION

The course is designed to impart the following analytical formats for decision making:

1. Application of theoretical concepts and models in valuation of assets.
2. Analysis of risk-return relationship and asset pricing under the condition of single asset and portfolio investments
3. Evaluation of project investment proposals and making optimal investment decisions
4. Analysis of sources of financing and making optimal capital structure decision.
5. Dividend policy issues and formulation of optimal dividend policy

OBJECTIVE II: DEVELOP FINANCIAL DECISION MAKING SKILLS

The study of core concepts of financial theories and application is aimed to develop the following skills:

- A. APPLICATION SKILLS: Students will be equipped with skills necessary to determine the market value of financial and non-financial assets, and make decisions on investment proposals, capital structure, and dividend policy
- B. INFORMATION SKILLS: Students will be able to research and gather corporate and financial market data through library data sources and online information for the analysis of financial issues.
- C. ANALYTICAL SKILLS: Students will be able to use appropriate models and analyze alternatives for financing and investment in the context of value creation.
- D. MANAGERIAL SKILLS: Students will develop necessary skills to process and coordinate information on financial aspects, cost structure and market demand and supply, and competition.

OBJECTIVE III: REINFORCE IMPORTANT VALUES

- A. Upon completion of the course, students are expected to thoroughly understand the technicalities of achieving the basic objective of the firm – to maximize the value of the shareholders equity.
- B. Students will develop professional qualities and sense of responsibilities in managing finance related problems and other crucial corporate issues, and understand the role of financial manager in the corporate framework.

Teaching Style:

Lectures, class discussions, problems solving and case reviews.

Required text:

Ross, Steven, A., [et al.] *Corporate finance: core principles & applications*. 2nd ed. McGraw-Hill/Irwin. 2009.

Finance 6215 Case Reader: *SUN Brewing (B); Hanson Private Label Inc.: Evaluating an Investment in Expansion, Dividend Policy and Linear Technology* and *The Tip of the Iceberg*.

Other required reading materials will be distributed in class or over the class web page.

Class participation:

This course is structured as a SEMINAR, which means you must come prepared for class discussions and actively participate in class to receive credit. This also means that unexcused absences will count against your final grade.

Team project and HBS cases:

In this class you will work with a team (between 4 and 6 students) on a project, which you will present in class. In this project you will apply the body of knowledge covered in the course. You will pick one Western and one Russian public company in the same industry and conduct an analysis of their

investment, financing and dividend policies. More details will be provided in class discussions and on the class web page. Please note: there will be one grade earned by each team and this grade will apply to all members of the team. The same rule applies to HBS case studies. The questions that you will need to address in HBS cases are posted on the class website.

Exams:

We will have several quizzes and a final examination. You can use calculator and one sheet of paper (both sides) with your OWN notes during any examination. No make up exams will be given.

Grading Policies:

Team project/presentation	20%
HBS cases (group)	20%
Quizzes	10%
Final	40%
Class participation	<u>10%</u>
Total	100%

Tentative (subject to change) Class Schedule

Meeting	Topics	Readings
1	Introduction to corporate finance; objective function, corporate governance; review of financial statements.	Required: Ch. 1 Review: Ch. 2-3
2	Making capital investment decisions (and review of stock and bond pricing)	Required: Ch. 7 Review: Ch. 4-6
3	Capital budgeting – choosing the right investment; review of NPV and IRR applications; HBS case study	Required: Ch.8 and HBS Case <i>Hanson Private Label Inc.: Evaluating an Investment in Expansion</i> Optional: Ch. 9
4	Risk and return analysis, capital market theory (CAPM);	Required: Ch. 10-11
5	Cost of capital and capital budgeting; estimating company’s beta; country risk premium	Required: Ch. 12 Optional: Ch. 13
6	Capital structure decisions (how much should the company borrow vs. using equity)	Required: Ch. 14-15
7	Corporate dividend policy; HBS case study	Required: Ch. 16 and HBS Case: <i>Dividend Policy and Linear Technology</i>
8	Company valuation issues; HBS case study	HBS Case: <i>Sun Brewing (B)</i>
9	Project presentations	
10	M&A discussion: financial decisions during crisis – HBS case study (acquisition of Bear Stearns by J.P. Morgan in early 2008) Q&A session (addressing any questions you might have about corporate finance)	Required: Ch. 19 and HBS case: <i>The Tip of the Iceberg</i>
11	Final exam	All topics covered

Please note: Chapters indicated for “review,” cover material, which you studied in your previous financial courses. However, it is directly relevant to our in-class discussions and you should review it if you feel that your knowledge might be rusty on those subjects. Chapters noted as “optional” cover the material which goes beyond our discussions, but might be useful for those who plan to concentrate on financial function in your future career. **Additionally,** you should check the class webpage www.gperelman.com frequently during the course, especially if you were late for our meeting or had to leave early. I will post as much course materials as possible to help you succeed in this class (references to current events relevant to our course, class notes, review notes, samples of tests with solutions, examples of financial analysis to help you with your team project, clarifications of questions posed during in-class discussions, etc.)