University of Maryland
Robert H. Smith School of Business

BMGT 440: ADVANCED FINANCIAL MANAGEMENT Sections 0201, 0301
Fall 2008
Tuesdays & Thursdays VMH 1330 2-3:15 PM (sec. 201); 3:30-4:45 PM (sec. 301)

Instructor: Elinda Fishman Kiss
Office: 4459 Van Munching Hall
Office Hours: Tuesdays and Thursdays 5-6 PM
Wednesdays 11:00 AM - noon 2:30-5:00 PM (or by appointment; often, I am around on Tuesday and Wednesday evenings, but check with me to see if I will be there.)
No office hours on October 8, 9; November 4, 5, 6
(**FBIS** meets on Wednesdays from 5-6 PM in VMH 1330)
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A. Course Objective

The objective of this course is to provide you with a broad exposure to the theory and practice of corporate financial decision-making. We will study the major types of decisions that corporate financial managers make, including investment decisions, financing decisions, and valuation. Along the way, we will develop proficiency in analyzing practical cases using the tools of financial analysis. The application of finance concepts to the solution of financial problems is emphasized. After taking the course, you should feel comfortable reading the financial press, such as the Wall Street Journal (WSJ) and the Markets Columns and Analysis in the Money & Investing Section of the WSJ. *Prerequisite: BMGT340.* This course is restricted to BMGT majors with 84 credit hours completed.

B. Course Format

1. Lectures: Most of the material will be covered by class lectures, which will follow the book chapters. However, for certain topics, lectures will go beyond the material in the book, and therefore *class attendance is strongly recommended. Class participation counts as part of your grade.* To facilitate your note-taking, I will have copies of the PowerPoint slides for the lecture available on the internet on Blackboard**:** http://bb.rhsmith.umd.edu. The first two weeks will be a review of basic finance tools and concepts. Much of the material in chapters 1-2, 4-7, 9-10, 12-13, 15 was covered in BMGT 340.

2. Case Studies: A significant part of the class will be used to analyze nine case studies. We will discuss collectively the first case, Gulf Oil, in class. The remaining eight cases will be presented by student teams. You may form your own team, but each team must have ***five*** members. Teams will be formed after the fourth class. "Free agents" who do not choose to join a team will be randomly assigned into teams by me. See below for more detail about the presentation and grading of these case studies. The cases and suggestions for analysis are in the course packet that will be in the copy center in VMH 1406. *NOT available now!!!* More details and suggestions will be given to the presenting group. *Attendance at case presentations is mandatory*, unless excused by me for a valid reason (illness, documented job interview, documented religious holiday, sponsored university event – e.g., student athlete at game out of state, etc.) Attendance at presentations by guest speakers is also mandatory, unless excused by me for a valid reason. *Please send me an email ahead of time if you must miss a case presentation or guest speaker day.*

C. Course Materials

1. Suggested: the textbook for this course is *Corporate Finance*, 7th or 8th Edition, by Ross, Westerfield, & Jaffe (ISBN 0-07-297123-1 or 0-07-282920-6). The text is available for purchase from the bookstore and contains many exercises that will be helpful in preparing for the exams.
The text website contains chapter by chapter online study resources, including quizzing, review material, and interactive spreadsheet templates: www.mhhe.com/rwj and
http://highered.mcgraw-hill.com/sites/0073105902/student_view0/index.html

2. Required: there will be a *reading packet* containing all the cases for the course. I will announce when this packet will be available for purchase at the Copy Center on the first floor of Van Munching Hall (room 1406). *It will be available sometime later in September, but is NOT available now.*

3. Optional: you may wish to download lecture notes, homework assignments, and solutions from the course web page on the business school's Blackboard system at http://bb.rhsmith.umd.edu. I will make each lecture's notes available on the website during the week of the lecture.

4. Suggested: *Wall Street Journal.* Reading the WSJ on a regular basis is a very good way to keep on top of developments in the world of finance and business. You may obtain a student rate subscription, which includes access to the on-line WSJ, through me.

D. Prerequisites

I will assume you have knowledge of basic material covered in BMGT 340, especially fundamental concepts such as time value of money, present value, and the NPV criterion for investment decisions. If you are rusty on these basic concepts, ***it is up to you to review them***; a good review is chapters 1-2,4-7 in the textbook. You should also be familiar with general finance concepts such as cash flow analysis, interest rates, and bond pricing. You should also remember basic algebra, statistics and accounting.

E. Grading

Your course grade will be determined by the following:

Homework problems, class participation and individual case summaries	20%
Group case presentations and write up	20%
Midterm exam	25%
Final	35%

A: 92-100; A-:90-92; B+:89, B:82-88; B-:80-82; C+:79; C:72-78; C-:70-72; D:60-69

There will also be a bonus option: If you show an exceptional improvement in performance in the final, as compared to the midterm (an increase of at least 20 percentiles in the class rankings), the weights will be changed to 15% and 45% for the midterm and the final respectively.

- **Homework Problems:** There will be approximately nine homework assignments, evenly spaced, over the semester. The problems will come from the Ross, Westerfield, and Jaffe textbook. I have typed a separate document with all assigned homework problems. These problems may be done individually or with one other person. Problems will be graded on a 3, 2, 1 scale. For grade **3:** hw is almost entirely correct & all problems attempted. **2:** mostly correct. **1:** mostly incorrect or late.

- **Individual Case Summaries:** On case days, you are required to turn in a 1-2 page summary of the case situation. These may be done individually or in groups of two**. You are not required to turn in a summary for the case that your group is presenting since you will prepare a 10-20 page typed analysis of the case.** You will be writing up eight case summaries plus one major write-up with your case presentation.

- **For calculating the course grade,** homework problems and case summaries carry the same weight. The two lowest grades for the case summaries and homework problem assignments will be dropped. (i.e., two summaries or two HW problems or one of each.) Class participation will count the equivalent of 3-5 homework assignments. You are encouraged to answer questions in class and to ask them.

- **Group Case Presentation:** One of the major goals of this course is to give you practice in applying theory to practical problems and in presenting your ideas to peers. The nine cases we cover in this class are designed to provide you with such practice. I will lead a discussion of the first case. Each of the remaining cases will be presented by *one or two* student teams. On the day of the presentation, each group should turn in a 10-20 page written analysis along with a copy of the slides you will use in the presentation. *Please email to me the slides that you will use in class by 9:00 AM on the day of the presentation*, so that you can use them in the presentation.

- **Wikler Competition**: The best case presentation team in each section will be selected by me to compete in the Wikler case competition in the Spring; each member of the Wikler winning team will win $1000. (Members of some of the other competing teams may also win cash prizes as "runner up". E.g., each member of the second place team received $500 last year.) There is one team from each BMGT440 class selected for the Wikler competition.)

- **Midterm exam:** The exam will be closed-book and closed-notes, although you may bring one 8.5"x11" sheet of paper with formulas, etc. written on one side. The exam will emphasize computational problems, but may have some multiple-choice questions.

- **Final exam:** The exam will be closed-book and closed-notes. It will cover all of the material we study during the semester. You may bring one 8.5"x11" sheet of paper with formulas, etc. written on both sides. The exam will emphasize computational problems, and may have some multiple-choice questions. *There are practice exam questions in the Course Docs section of Blackboard.*

You should plan your calendar now so that you do not miss the exams due to scheduling conflicts. If illness or an emergency should force you to miss an exam, please contact me **before** the exam.

F. Academic Integrity

The University's *Code of Academic Integrity* is designed to ensure that the principles of academic honesty and integrity are upheld. All students are expected to adhere to this Code. The code prohibits cheating on exams, plagiarizing or buying papers, submitting fraudulent documents, disclosing exam questions and answers to other students, forging signatures, and any other acts of academic dishonesty. The policy will be taken very seriously in this class. The Smith School does not tolerate academic dishonesty. All acts of academic dishonesty will be dealt with in accordance with the provisions of this code. Please visit the website for more information on the University's Code of Academic Integrity:
http://www.studenthonorcouncil.umd.edu/code.html
On each exam or assignment you will be asked to write out and sign the following pledge. "*I pledge on my honor that I have not given or received any unauthorized assistance on this exam/assignment.*"

G. Special Needs:

Any student with special needs should bring this to the attention of the instructor as soon as possible, but not later than the second week of class.

H. Class Schedule: Dates are subject to change; changes will be announced in class & on Blackboard

Dates	Topic	Chapters in Text	Assignment due Date
9/2, 9/4, 9/9	Review of BMGT340	1,2, 4, 5, 6, 7, 10	Sept. 16
9/11, 9/16	Capital Budgeting and Cost of Capital	12	Sep. 23
9/16, 9/18	Financial Planning and Growth	3	Oct. 1
9/23	Mergers and Acquisitions	29	Oct. 7
9/25	**Case:** Gulf Oil – led by Professor Kiss		Sep. 25
9/30	Raising Capital- Issuing Securities to the Public	19	Oct. 7
10/2, 10/7	Capital Structure	15, 16	Oct. 28
10/9	Guest speaker; *attendance mandatory*, unless excused by me		
10/14	***Case:** Eskimo Pie Corporation;* Capital Structure, continued		Oct. 14
10/16	**Case:** Bed Bath & Beyond: The Capital Structure Decision Review for Midterm in class		Oct. 16
10/16	**Additional Review for midterm – room 1330;** probably 5-6 PM		
10/21	**In-class Midterm exam**		
10/23	**Case:** USG		Oct. 23
10/28	**Case:** American Chemical Corporation; begin Dividend Policy		Oct. 28
10/30	**Case:** Radio One; Dividend policy continued		Oct. 30
11/4	Guest speaker; *attendance mandatory*, unless excused by me		
11/6	Guest speaker; *attendance mandatory*, unless excused by me		
	Dividend Policy	18	Nov. 11
11/10	*Last date to withdraw with "W"*		
11/11	**Case:** Dividend Policy at Linear Technology		Nov. 11
11/13, 11/18	Options	22, 23	Nov. 25
11/20	Warrants and Convertibles	24	Dec. 2
11/25	Leasing	21	Dec. 2
12/2	**Case:** Wells Fargo Convertible Bonds		Dec. 2
12/4, 12/9	Short-Term Finance and Cash Management	26, 27	Dec. 11
12/11	**Case:** Krave's Candy Co - Clodhoppers		Dec. 11
12/11 evening 12/16	Review for Final exam –room & time TBA; Possible additional review on Dec 16 – time and room TBA Will determine final exam review times based on your availability.		

Note: In addition to the in-class reviews on October 13, that there will be additional reviews for the midterm exam during that evening. The reviews for the final exam will be on the evening of December 11. There may be an additional review on Monday, December 15, if there is sufficient interest.

Assigned problems are listed on Blackboard and are on the syllabus. Due dates for assigned problems and case summaries are listed in the right column of this page; note there are deliverables due almost every class. *Any changes to due dates will be announced in class.*

I. Final Exam Schedule – exams will be held in our classroom, VMH 1330

Please note the date and time of the final exam for your section.

Exam date	exam time	normal Class meeting time
Thursday, Dec 18	10:30am-12:30pm	TuTh 2:00 (sec. 201)
Saturday, Dec 20	10:30am-12:30pm	TuTh 3:30 (sec. 301)

J. Problems Many problems will be worked during this course. I will give you the answers if you come to my office hours. I will post answers in Assignments section of Blackboard AFTER you have turned them in. Working problems is the only way to master this information. The following problems provide a sample of what is to be covered. You should work the problems applicable to that day's class before the next class meeting so that you can ask questions before we move on to another topic. Grading consists of my checking that all assigned **problems** have been attempted and that random selections of problems are worked correctly.

I have listed suggested problems to try below for both the 7th and 8th editions of the text; the problems are equivalent, but not necessarily identical.

The problems that you are to turn in are listed as a separate document that is distributed the first day of class. That document is repeated in both the Assignments and Syllabus sections of Blackboard.

Assignments will be collected at the beginning of class on due date and graded according to the following scale:
0 - not acceptable (grossly incomplete)
1 - less than completely satisfactory (some missing problems) or if you turn it in late
2 - satisfactory (all problems attempted and mostly correct)
3 - excellent (all problems attempted and correct)

Remember the problems below are only suggested; the problems to turn in are on a separate handout.

Chapter	**Suggested Problems to try 7th ed.**	**Suggested Problems to try 8th ed.**
2	1, 3, 7	1, 2, 10
3	2, 3, 4	9, 10, 13
4	10, 20, 25, 27, 30, 39	11, 9, 26, 27, 28, 34
5	2, 7, 13, 14, 18, 25, 31, Appen.5A # 3	2, 4, 10, 17, 18, 27, Appen. 5A#3
6	1, 7, 17	1, 7, concept #3
7	1, 3, 7, 21, 35 Do #7 with MACRS	2, 9, 15, 21, 26
8	1, 8, 15, 19	6, 9, 23, 25
10	16, 24, 27, 30	13, 35, concept #4
12	11, 13, 16	10, 12, 14
15	1, 2, 4, 16, 18	4, 5, 20, 21, 22, 25
16	1, 5, 10	1, 8, 10
17	1, 3, 10, 12	2, 4, 14
18	3, 8,	13, 14, 19
19	1, 4, 10	2, 13,
21	2, 3	7, 8
22	5, 9, 13, 15, 19	3, 4, 6, 10, 21
23	4	5
24	8, 12, 15	6, 8
25	1, 2, 3, 20	1, 2, 10, concept #3
26	4, 8, 10	10, 11, 13, 15
27	1, 2, 4	1, 11, concept 1 & 2
28	2, 4	3, 10
29	10, mini case problem	14
31	1, 4, 7	1, 3, 8, 11, 15

K. Grading Criteria for BMGT440 Cases two page Summary write up

1. Position: You can take an observer position HERE since you are supposed to just summarize the issues of the case. In most situations, you should position yourself as an insider, a consultant to management.
2. Style: It is a professional writing assignment. Do not try to tell a story. Please avoid words such as "if I were/was..." "We see..." "It seems that/as if". Please do not list all the events that happened according to time sequence.
3. Structure: It should be well structured. Try to summarize your situation/problem as tightly as possible:
    - What is the key question here in the case? (To present it concisely in the first paragraph is strongly suggested.)
    - What is the decision-related situation? (To present it in three to four paragraphs with a topic sentence at the very beginning of each paragraph is strongly suggested; Alternatively, use headings to alert the reader what you are going to describe.)
4. Content (2 pages, double space, Times New Roman, font 12 or 11): There is a lot of information in the case. However, do not mention them all in the summary. Pay attention to the suggested questions and try to focus on them (For the Gulf Oil case, focus more on the gains and risks that SOCAL is facing: the takeover debt, the tax cost, the potential profit, the value of Gulf's exploration and development program...minimize detailed background). You can quote the figures in the exhibits, but do not develop into details. Avoid repeating the sentences verbatim from the case.
5. Typing your paper is STRONGLY recommended. If you finish the case with another student, only ONE OF YOU should turn in the paper. But if you are in two different sections, turn in a paper for each section. Type your names and section numbers correctly.

• One - two page summaries analyzing each case. The purpose of the summaries is to get you thinking about each case before it is presented in class. Writing a summary will help you focus your thoughts and prepare you to participate in the class discussion.
The summaries will be graded as on a **3, 2 and 1** scale. The following scheme gives an indication of what is required for each grade:
3: The summary should succinctly state the major problem faced by the managers in the case and offer a course of action. The course of action suggested should be tailored to the situation. You should provide some evidence for believing that your suggestions will solve the firm's problem. *Students will get 3 if their papers are well structured and to the point or if they successfully cover the key issues.*
2: The summary should provide a very good description of issues confronting the managers.
1: The summary should demonstrate that you know enough about the case to be able to contribute to a class discussion.

L. HW and Case Summary Grading and Paper Return Policy

The homework problems and the case summaries will be graded by the TA. I will grade the midterms and the final examinations, and the detailed case presentation write ups and the in-class presentations.
Answers to problems sets will be posted in the Assignments section of Blackboard AFTER you have turned in the homework. Please be certain that you either pick up your graded homeworks and the case summaries on the date that they are returned or that you have another copy. For calculating the course grade, each case summary will carry the same weight as a homework assignment. The lowest grades for two of the homeworks or summaries will be dropped. (i.e., two summaries or two HW problems or one of each.)
Class participation will count the equivalent of 3-5 homework assignments. You are encouraged to answer questions in class and to ask them.

M. Group Case Presentation and Write Up

Students will form groups of five persons. Whether or not your group is presenting the case, I expect everyone to have read the cases, to have thought about the issues involved in the cases, and have an idea how to find acceptable solutions to the case problems. Some of the cases have excel spreadsheets of the case exhibits which will make preparing your own spreadsheets easier. You can download these from Blackboard in the Course Documents section, in the subsection Case Information.

Each group will also present one case to the class. The cases will be selected from a list on the last page of this syllabus. Your group will list in preference order the eight cases on one side of an index card and the names of your group members on the other side of the index card. We will choose cases and groups the fourth class meeting. I will try to give every group their first, second or third choice of a presentation case. Note the dates of the presentations - you are choosing a preferred presentation date as well as a preferred presentation topic. If there is a date when one or more of your group members cannot present due to a prior commitment, please write that fact on the index card and explain the date conflict. "Free agents" who do not choose to join a team will be randomly assigned into teams by me. Just write your name on one side of the index card, and the eight cases in your preference order on the other side of the index card. I will give you index cards for this purpose the fourth class.

The presentation will be directed to management of the subject company, the other members of your class. You can take the viewpoint of a consultant or of a member of management of the company. A total of 30 minutes will be allocated for each group presentation. Allow about 10 minutes for questions and answers. All group members must speak and participate in the presentation.

Presenters will prepare a powerpoint presentation, and excel spreadsheets (if appropriate to the case). Please email (to EFKiss@aol.com) your powerpoint and excel presentation by 9 AM on the day that you are presenting. (Note that powerpoint has a print option, allowing you to print out black at white slides, either three or six to a page.)

Presenters should turn in a written case report, including spreadsheets. The report should begin with an executive summary that is one-half to one page long. It should be typed double spaced (using 11 or 12 font, preferably Times New Roman). It will have three basic components:

1. Statement of the problem. This section should contain a brief overview of the problem at hand. You may have to read the case carefully to identify the firm's most pressing problem. You should state the problem so it is clear that your presentation is addressing one main problem. Secondary problems should be discussed in the body of the case.
2. Discussion. Give a brief discussion of the main considerations, the consequences of failure to act and the alternative solutions you have considered. If there are other apparent solutions besides the one you are recommending, you will strengthen your argument if you show that you have considered them.
3. Recommended action. Offer a recommended solution. A recommendation of some kind must be made.

The purpose of the executive summary is to provide a briefing for a busy upper-level decision-maker. It must stand alone, so that it could be used independently of the staff analysis that follows in the analysis package. It must give a clear picture of the problem with a recommendation.

Next in the package will be a five to six page, double spaced analysis which builds on the executive summary with a more thorough discussion. Tables, graphs, and other exhibits should be labeled with letters (Exhibit A, Exhibit B, etc.) to distinguish them from the in-case exhibits. The exhibits will not count as part of the five to six page written requirement for the analysis. You should refer to each of your exhibits in the body of your analysis. You need not refer to them in order. It is impossible to do most of the cases without spreadsheet work; spreadsheets and graphs will be the exhibits. If you have several variations of the same spreadsheet, use a summary page to point out the differences in the scenarios. Also, usually having an assumptions page as one of your exhibits is helpful.

The analysis is the most critical part of your presentation. This portion of the analysis is aimed at the decision-maker's aides. It should explain the logic of your recommendations, and fill in the background on the points made in the executive summary. When you apply the principles of finance, they must be explained in plain English and the whole document must make sense on its own. In other words, you must convince the decision-maker and aides that you have found a problem that requires their attention, and that your recommendation is the best alternative for solving it.

I expect a bibliography as the last page of your written paper (or at the very least a list of sources, including internet sources.)

Presenters should assume that their audience has read the case carefully and is very familiar with the case facts. They will already be familiar with the basic facts about the company. Therefore, you should carefully avoid summarizing the case. Instead, give them new insights into the situation without simply repeating what they already know. Non-presenting class members are expected to ask questions as part of their class participation.

You will be graded on your accuracy in identifying the true problem areas in the situation, the effectiveness of your recommendations, the soundness of your logic, and the quality of your expression. Your analysis must reflect not only a sound grasp of finance theory, but also a well-conceived application.

You should not confine yourself to the case material when you prepare the analysis. The problems addressed in the cases are difficult ones that have typically been discussed in the academic and practitioner literature. The depth and quality of the analysis and the professionalism demonstrated by the presentation will be used to determine the grade for the group. I am looking less at what your solution is, and more at how well you support that solution.

I am available to answer questions about the presentation, class discussion and written assignments. You can see or call me in my office, e-mail me, or call me on my cell or at home (as long as you call before 11 p.m.) I strongly encourage groups to set up an appointment to see me to talk about their case presentation.

Cases for students to present this semester

Date	Case name
10/14	**Case:** Eskimo Pie Corporation
10/16	**Case:** Bed Bath & Beyond: The Capital Structure Decision
10/23	**Case:** USG
10/28	**Case:** American Chemical Corporation
10/30	**Case:** Radio One
11/12	**Case:** Dividend Policy at Linear Technology
12/2	**Case:** Wells Fargo Convertible Bonds
12/11	**Case:** Krave's Candy Co – Clodhoppers

I will have a list of suggested questions to approach the cases with the course pack. For the presenting groups, I will have additional questions and suggestions.

N. Please put the following information on the index card:

- Course name or number and Course section number (BMGT440, section 201 or 301)
- Your name
- phone number (Home) (Office) (cell)
- e-mail address (in CAPS) - very important - may send you class announcements in email - you may include as many email addresses as you wish (home, work, school, etc.)
- have you taken BMGT 340 (or equivalent)? Accounting? Statistics?
- employment - what do? where? (or past internships or positions) -- optional
- student number
- Are you registered? Yes or no *please sign card on the back of card*