



**ADVANCED CORPORATE FINANCE**  
**FIN 821**  
**SYLLABUS**

**Masters of Business Administration Program**  
**Max M. Fisher College of Business**  
**The Ohio State University**

Professor Karen H. Wruck  
Mr. Geoffrey Chatas  
Winter 2008—DRAFT—December 4, 2007

**Course Objective and Content:**

This purpose of this course is to provide students the opportunity to develop deep skills and understanding of the theory and practice that underlie corporate financial policy and related complex financial transactions. The course will be divided into four modules as follows:

- Module 1: Valuation in Corporate Finance** (4 sessions)
- Module 2: Markets and Financial Structures** (5 sessions)
- Module 3: Mergers, Acquisitions and Corporate Governance** (9 sessions)

The course content will be useful to students whose career goals and objectives include work in corporate finance at a public or private firm, consulting to corporations regarding financial policy and the structure of financial transactions, and conducting financial analysis to assess the decisions made and transactions undertaken by management.

Detailed assignments for each session and supplemental materials will be posted online at the Carmen website for the course.

**Course Materials:**

1. Course package (cases and readings), available from Tuttle Uniprint.
2. Supplemental readings to be handed out in class.
3. *The Wall Street Journal*. You should read the *WSJ* every day to reinforce the applicability of the issues we study to the business world.

**Course Approach:**

This course is highly discussion oriented and interactive. To gain the knowledge base offered by this course you must come to class fully prepared each day. Full preparation means that you have read the materials carefully, perhaps several times, and conducted the relevant financial analysis in detail. Further, you should be prepared to make a recommendation for the decision at hand and be able to support your recommendation with data and analysis. **If you are unwilling to make a commitment to preparation at a high level and consistently follow through on it throughout the entire quarter, then DO NOT TAKE THIS CLASS.** Without a commitment to full preparation your enrollment in this class will constitute a waste of everyone's time.

**Standards of Integrity and Conduct:** Each student in this course is expected to be familiar with and abide by the principles and standards set forth in The Ohio State University's code of student conduct and code of academic conduct. You can view these documents or download pdf versions at:

[http://studentaffairs.osu.edu/resource\\_csc.asp](http://studentaffairs.osu.edu/resource_csc.asp) and  
<http://www.gradsch.osu.edu/Content.aspx?Content=10&itemid=1>.

It is also expected that each student will behave in a manner that is consistent with the Fisher Honor Statement, which reads as follows:

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

While most students have high standards and behave honorably, like every academic institutions we sometimes encounter cases of academic misconduct. It is the obligation of students and faculty to report suspected cases of academic and student misconduct. Students can report suspected violations of academic integrity or student misconduct to faculty or to a program's leadership. All reported cases of academic misconduct are actively pursued and confidentiality is maintained.

### **Grading Policies and Practices:**

With the objective of establishing as dynamic and effective a learning environment as possible, the course requires a commitment on your part to attend all classes, and to prepare fully and to participate. We will work together to create an environment in which open, rigorous discourse is the standard. Thus, each of you must be willing not only to share your ideas and analysis with your colleagues, but be open to challenges of those ideas.

The following are the fundamental principles for grading in this course:

- The requirements of the course are identical for everyone. This means it is not possible to “make up” for poor performance through “extra credit” work.
- Assignments and related deadlines cannot be rescheduled except under circumstances of extreme hardship.
- As required by school policy, grading will be based on relative rather than absolute standards. The average grade in this course will be a 3.6 or lower.
- It is possible to earn any of the official OSU grades, from A to E, in this course.
- Sometimes alleged cases of academic misconduct arise due to apparent confusion over the degree of collaboration allowed on assignments. University policy clearly states that it is each student's responsibility to resolve issues that appear ambiguous directly with the faculty member. However, to help create clarity and avoid potential misunderstanding, we use the following letters to indicate the degree of collaboration allowed on each assignment.

N: No Collaboration of Any Kind Allowed  
T: Collaboration with Teammates Only Allowed

Assignments and corresponding weights for grading in this class are as follows:

<b>Three written team case analyses</b> (T—to be done in groups of 3 to 5 students)	30%
<b>Performance on “homework” for each session in on-line survey format</b> (individual, you may discuss case analysis and issues with your colleagues and work together on cases for class, BUT your survey results should reflect your individual analysis. In other words, if we ask, you should be able to immediately produce documentation that you have conducted the relevant analysis yourself (e.g. have your own spreadsheet in which you have entered formulas or similar). The point is for you to learn to do the analyses yourself.)	30%
<b>Final Case Analysis</b> (N—take home, time limit, individual no collaboration allowed)	30%
<b>Class participation</b> (individual contributions to class discussion)	10%

More detail on grading is provided below.

### **Written case analyses:**

You will be asked to form 3 to 5 person teams for case analysis by the 3rd or 4th class. If necessary, we will assign students to groups already formed, starting with the smallest groups, and we expect the receiving group to welcome the additional student(s) unconditionally.

A brief description, specific assignment, and suggested questions for each case will be distributed in class. Written case analyses should contain a discussion of the issues, financial analysis and recommendations. They should be directed to the designated audience. Text is limited to 1.5 double-spaced pages of 10-pitch font or larger (the font used here) with at most four easily-readable 8 1/2 x 11" pages of exhibits, graphs, and/or figures. You must use a memo format, i.e., no cover page is permitted. The final page of this syllabus illustrates acceptable font size and formatting.

Each written case analysis will be graded on a 1-10 point basis, and is worth 10% of the course grade (total, 30%). Each violation of the rules, e.g., each page over the limit, the use of a cover page, less than double spacing, font size smaller than permitted, will cost your group one point (limited liability does not apply!)

Written case analyses are due at the **beginning** of the class scheduled for the case discussion (you should also retain a copy for yourself for the class discussion). You will be required to turn in a hardcopy at the beginning of class and also to upload a soft copy at Turnitin.com. Detailed instructions on the latter will be distributed. **No late case analyses will be accepted, nor will e-mailed or faxed cases**. Finally, written case analyses will be graded for presentation as well as content. They must meet the standards that would be present in a professional context.

### **Homework for Each Session:**

Your performance on homework will constitute 30% of your grade. For each session, there will be a required homework that will consist of reporting the findings of your analysis in an online survey format. A different survey will be provided for each class session. You must enter your answers prior to the start of class. Your answer to the each homework will be scored between 1 and 5 roughly as follows: 5 for a strong answer, 3 or 2 for an okay answer and 0 for no answer.

### **Final Case Analysis:**

The case for final analysis will be distributed after the end of the last class and your individual write up and analysis will be due during the exam period. Details TBA. The space and font requirements for your individual final case analysis are the same as those for the written case analysis described above. Your final case write up will constitute 30% of your grade. No collaboration of any kind is allowed on the final case analysis.

### **Class Participation:**

The final 10% of the course grade is awarded for class participation. This grade will reflect our assessment of both the quantity and quality of an individual's contribution to the classroom discussion. To facilitate grading for class participation you should choose a seat for the entire term early in the quarter, when we will pass around a seating chart. You should also use your nameplate in every class. You should be prepared for cold-calling in all class meetings.

Regular attendance and class participation are necessary, but not sufficient for a student to receive one of the higher letter grades in this class. You should realize that the points awarded for class participation are sufficient to cost you a letter grade or more should you choose not to participate fully and regularly.

### **Disability Policy:**

Students with disabilities or requiring special accommodations should work directly with The Ohio State University Office of Disability Services (ODS). ODS is expert at working with individual students to provide the appropriate accommodations.

### **Grade Appeal Policy:**

Grades are intended to reflect the overall quality of performance of the student(s). If you think your grade on an exam or assignment does not reflect the quality of your performance, submit a clear written explanation of your reasoning ***within one week after the return of your assignment or test***. The written document need not be long, but must clearly identify the problem or issue of concern. I will carefully consider all such appeals. ***There will be no grading appeals after the one-week deadline has passed.***

### **Office Appointments:**

We are available to discuss issues of concern to you on an individual basis either after class or in our offices. Email to make an appointment for an office visit. So that we can be better prepared for your visit, please give me a general idea of the topic you'd like to discuss. We typically schedule 15 minute appointments; if you believe you will require more time, request a longer appointment.

To: FIN821 students  
From: Karen Wruck and Geoff Chatas  
Re: Rules for written case analyses  
Date: Today's

The purpose of this page is to illustrate acceptable font, spacing, and margin usage for written work for FBE 529. Font size must be at least 10 point, the size illustrated here. A minimum of 1.5 line spacing is required. Acceptable side, top, and bottom margins are shown here, which are to provide 1" all around. Memo format is required, using single spacing for the information in the header and a minimum of 1.5 spacing thereafter. Tabs are to be indented at least as far as they are on this page. Each violation of the rules, including more than two pages of text and more than four pages of exhibits, will be penalized by the deduction of one point.

Exhibit fonts can be smaller, but must be easily readable (in my judgment). Violations here will also be penalized by the deduction of one point.

This is the last acceptable line on this page.

**ADVANCED CORPORATE FINANCE  
FIN 821  
READING LIST**

**Masters of Business Administration Program  
Max M. Fisher College of Business  
The Ohio State University**

Professor Karen H. Wruck  
Mr. Geoff Chatas  
Winter 2008—DRAFT—December 4, 2007

---

**MODULE 1: VALUATION IN CORPORATE FINANCE**

---

**Session 1 Valuation Methods in Theory and Practice**

- Sampa Video, Inc., Gregor Andrade, HBS 201-094

The readings below apply to the entire first module. For some of you, they will be review, for others, new material. Please plan ahead, allowing sufficient time if you have a weak background in valuation.

- Equity Valuation,  
Linda DeAngelo, Marshall School, University of Southern California
  - An Introduction to Cash Flow Valuation Methods,  
Rick Ruback, HBS 295-155
  - A Note on Capital Cash Flow Valuation,  
Richard Ruback, HBS 295-069
  - Corporate Valuation and Market Multiples,  
Timothy Luehrman, HBS, 206-039
- 

**Session 2 Discounted Cash Flow and Multiples Valuation**

- Spyder Active Sports—2004, Belen Villalonga, Dwight Crane and James Quinn, HBS 206-027
- 

**Session 3 LBO Valuation/Equity Cash Flow Method**

- Acova Radiateurs, Lisa Meulbroek, HBS 295-150
  - Technical Note on LBO Valuation (A), Carliss Baldwin, HBS 902-004
  - Technical Note on LBO Valuation (B), Carliss Baldwin, HBS 902-005
- 

**Session 4 Valuation Practicum**

- TBA
-

---

**MODULE 2: MARKETS AND FINANCIAL STRUCTURES**

---

**Session 5 Markets and Financing Structures in Theory and Practice**

- The Capital Structure Puzzle: Another Look at the Evidence, *Journal of Applied Corporate Finance*, Spring 1999, Michael Barclay and Clifford W. Smith
  - On Financial Architecture: Leverage, Maturity and Priority, Book Chapter, *The New Corporate Finance: Where Theory Meets Practice*, 1996, Michael Barclay and Clifford W. Smith
  - The Agency Cost of Free Cash Flow, *American Economic Review*, 1986, Michael C. Jensen.
- 

**Session 6 Financing Alternatives and Market Liquidity**

- TBA
- 

**Session 7 Loan Syndication and Credit Risk**

- Chase's Strategy for Syndicating the Hong Kong Disneyland Loan (A), HBS 201-072, Benjamin C. Esty and Michael Kane.
- 

**Session 8 Asset-Backed Securities**

- Formula One: Intangible Asset-Based Securitization, UVA Case F-1323, Susan Chaplinsky and Joshua Lathrop.
  - An Investor's Guide to Asset-Backed Securities
  - European Securitization Guide
- 

**Session 9 Project Finance**

- Calpine Corporation: The Evolution from Project to Corporate Finance, HBS 9-201-098, Benjamin C. Esty and Michael Kane.
  - An Overview of Project Finance—2004 Update, HBS 205-065, Benjamin C. Esty.
  - Returns on Project-Financed Investments: Evolution and Managerial Implications. *Journal of Applied Corporate Finance* 15, no. 1, Spring 2002, 71-86, Benjamin C. Esty.
- 

**MODULE 3: MERGERS, ACQUISITIONS AND CORPORATE GOVERNANCE**

---

**Session 10 Governance and the Market for Corporate Control**

- American Cyanamid (A) & (B) Combined, Karen Wruck
  - M&A Legal Context: Basic Framework for Corporate Governance, Carliss Baldwin, Constance Bagley, James Quinn, HBS 803-200
  - Directors Wake Up!, Myron Magnet, *Fortune Magazine*, June 1992 (on Carmen)
  - The Sarbanes-Oxley Act: Details and Evaluation, Susan Kulp, David Lane, HBS 106-040
-

---

**Session 11 Private Equity and The Market for Corporate Control**

- The Eclipse of the Public Corporation, *Harvard Business Review*, September-October, 61-74, 1989, Michael C. Jensen.
  - The New Kings of Capitalism, *The Economist*, November 25, 2004.
  - The Market for Corporate Control: The Scientific Evidence, Michael Jensen and Richard Ruback, *Journal of Financial Economics* 1983. (Read for overall content and findings. Do not obsess over the details of the studies reviewed.)
  - Consequences of Leveraged Buyouts, Krishna G. Palepu, *Journal of Financial Economics* 1990. (Read for overall content and findings. Do not obsess over the details of the studies reviewed.)
- 

**Session 12 Private Equity: Middle Market Transactions**

- Wisconsin Central Ltd. Railroad and Berkshire Partners (A): Leveraged Buyouts and Financial Distress,” HBS 190-062, Michael C. Jensen, Willy Burkhardt, Brian K. Barry.
- 

**Session 13 Private Equity: Public Market Transactions**

- The Auction for Burger King (A), Carliss Baldwin, James Quinn, HBS 906-012
- 

**Session 14 TBA**

---

**Session 15 Equity Consideration, Competing Bids and Proxy Fights**

- The New Wachnovia (A), Carliss Baldwin, Jerney Swinson, HBS 903-03
- 

**Session 16 Synergies and Offer Structure**

- PepsiCo’s Bid for Quaker Oats (A), Carliss Baldwin, HBS 801-458
- 

**Session 17 Floors, Caps and Collars**

- PepsiCo’s Bid for Quaker Oats (B), Carliss Baldwin, HBS 801-459
  - Technical Note on Consideration: Floors, Caps and Collars, Carliss Baldwin, HBS 902-056
- 

**Session 18 TBA**

---