

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN
College of Business
DEPARTMENT OF FINANCE

Finance 321 – Advanced Corporate Finance – Spring 2007

Section L: Tuesday – Thursday, 8:30-9:50 am – 215 David Kinley Hall (3 hours)

Section N: Tuesday – Thursday, 10 - 11:20 am – 215 David Kinley Hall (3 hours)

Course Description and Objective

In Finance 321 you will apply the concepts you learned in the pre-requisite courses, Finance 221 and 300, to the actual issues corporate financial managers are facing. Financial managers focus on the capital needs of a corporation, deciding what projects the firm should invest in, what the risk of these projects is, what adjustments need to be made to alter the risk of the project, and how the project should be funded. Capital management and risk management are thus directly linked in practice. This course will integrate these dual aspects of financial management. By the end of this course you will be able to:

- analyze the financial condition of a corporation
- calculate the cost of capital for a project
- recognize the various ways the risk of the project can be altered
- determine whether a corporation should invest in a project
- compare debt, equity and alternative financing approaches
- explain how a particular project should be structured and funded

Instructor

Professor Stephen D'Arcy

311 Wohlers Hall

Office Hours: Wednesday, 1-2:30 pm and by appointment

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Course Website: <http://www.cba.uiuc.edu/~s-darcy/Fin321/2007/index.html>

Required Course Material

Textbook: Brealey, Myers and Allen, *Principles of Corporate Finance*, Eighth Edition, 2006, (New York: McGraw-Hill Irwin)

i-clicker: An i-clicker, available at campus bookstores, is needed for most in-class activities.

Additional readings and cases will be announced during the semester.

I also recommend that you regularly read financial periodicals, such as the Wall Street Journal, Business Week, Fortune, Forbes, or Smart Money, and popular books about finance. A list of books I highly recommend is attached to the end of this syllabus.

Course Structure

The course will consist of lectures, guest speakers, in-class activities, student presentations, case students, problem sets, a midterm and final exam. Each student will make one class presentation during the semester. Presentations will be on the basic concepts of value and risk (chapters 2-9 of the text), case studies or current topics. A sign-up sheet will be circulated the first day of class to determine the presentation schedule.

Grades for the class will consist of A, B, C, D and F, with +/- grades used only for borderline cases. The grading scale will be 90% for an A, 80% for a B, 70% for a C, and 60% for a D. This scale may be lowered based on the difficulty of the course material this semester, but not raised. The maximum number of points for each aspect of the course is as follows:

	Maximum Number of Points
Midterm exam	100
Final exam	200
In-class activities (count highest 20)	20
Problem sets (4)	80
Case studies (3)	60
Presentations	<u>40</u>
Total	500

Course Policies

In-class activities cannot be made up if you miss class, but there will be enough activities so that missing a few lectures should not significantly affect your grade. Problem sets and other written assignments are due at the beginning of class on the due date. Late assignments, which will automatically incur a 50% grade penalty, will be accepted only if the assignments have not been discussed in class or already graded. There will not be a make-up for the midterm exam. If you have a University approved excuse for missing this exam the points on that exam will be incorporated into your final exam.

The University code on academic integrity as stipulated in Article 1, Part 4 of the Student Code applies in this course. Students are allowed to collaborate with each other on any case study or problem set, but the use of any unauthorized resource, including solution manuals or case notes, is prohibited. No collaboration or communication is allowed during any exam.

To insure that disability-related concerns are properly addressed throughout the semester, students with disabilities who require reasonable accommodations to participate in this class are asked to see me within the first two weeks of the semester.

Final Exam Schedule

Section L: Friday, May 4 – 8-11 am

Section N: Monday, May 7, 8-11 am

Tentative Course Schedule

<u>Date</u>	<u>Topic</u>	<u>Reading Assignment</u>
1/16	Course Introduction	--
1/18	Role of a Financial Manager/Dennis Spice	Chapter 1
1/23	Financial Analysis	Chapter 29
1/25	Present Value	Chapters 2 and 3
1/30	Valuation of Bonds and Common Stock	Chapter 4
2/1	Net Present Value	Chapters 5 and 6
2/6	Risk and Return	Chapters 7 and 8
2/8	Capital Budgeting and Risk	Chapter 9
2/13	Managing Risk	Chapter 27 plus handouts
2/15	Beyond NPV - Simulation, Options and Trees	Chapters 10 and 11
2/20	Overview of Corporate Finance	Chapter 14
2/22	Case 1	TBA
2/27	Issuing Securities	Chapter 15
3/1	Review for midterm	
3/6	Midterm Exam	--
3/8	Guest speaker	TBA
3/13	Payout Policy	Chapter 16
3/15	Debt Policy	Chapter 17
3/27	How Much Should a Firm Borrow	Chapter 18
3/29	Guest Speaker	TBA
4/3	Financing and Valuation	Chapter 19
4/5	Case 2	TBA
4/10	Management Compensation	Chapter 12
4/12	Integrating Capital and Risk	TBA
4/17	Real Options	Chapter 22
4/19	Credit Risk	Chapter 24
4/24	Enterprise Risk Management	TBA
4/26	Case 3	TBA
5/1	Course Review	--

Assignment Due Dates

Problem sets will be distributed one week prior to the due date. Cases will be announced approximately two weeks prior to the due date.

<u>Assignment</u>	<u>Due Date</u>
Problem Set 1	2/6/07
Case 1	2/22/07
Problem Set 2	3/1/07
Case 2	4/5/07
Problem Set 3	4/10/07
Problem Set 4	4/19/07
Case 3	4/26/07