

**FINE 443, Applied Corporate Finance (BCom) – Winter 2015**Instructor: Ruslan Goyenko    E-Mail: [ruslan.goyenko@mcgill.ca](mailto:ruslan.goyenko@mcgill.ca)

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**Course Scope and Mission**

This course covers how financial decisions in corporations are made and how these decisions affect firm and shareholder value. Since shareholder value is one of the driving forces behind all corporate decisions, it is crucial to have a solid foundation in valuation before attempting to understand specific financial decision making practices. In part I of the course, we will explore valuation based on cash flows (absolute valuation), comparable multiples (relative valuation), and real options (strategic valuation). Armed with these valuation models, we will then explore in part II of the course what drives firms to make various financial decisions. This includes firms' requirements for and raising of short and long term capital, firms' choices of financial instruments, firms' cash holdings and payout policies, and firms' decisions to engage in forward looking financial transactions like hedging and other derivative trades.

Even for people who are not interested in corporate finance per se, this course has important content: corporate financial decisions determine much of supply and demand for financial products and services in general, and we need to understand how and why corporations make financial decisions in order to understand financial markets.

**Required Readings**

The course reading package is at HBS under ( <https://cb.hbsp.harvard.edu/cbmp/access/32044307> ). This is the **ONLY** place where it is – no hard-copy. Note that McGill expects you to comply with copyright law restrictions!

The course will also use material from various textbook chapters and articles posted on MyCourses as well as bits from **Berk & DeMarzo Corporate Finance Textbook**. There are further comments about readings on the course schedule below.

**Evaluation and Grades**

Class Participation	10%	Ongoing
In-Class Mid-Term	20%	February 26, 2015
Assignment (in triplets)	20%	Paper & Presentation
Final Exam	50%	TBA

**Class Participation:** this grade component reflects significant and original contributions to the class discussion in the form of intelligent and constructive questions as well as thoughtful and topical answers. It does not reflect merely the quantity of verbal utterances. Please read the **Case Prep. Questions** in the course page for classes where HBS cases are assigned – this will help prepare for class discussions. Note that if I find a lack of case preparation among students, I reserve the right to institute short pop-quizzes or mini case write-ups to check for individual preparation (grades would be part of class participation).

*You will need to bring a laptop to class on a regular basis*

**Assignment:** you will submit an assignment done in triplets. You pick 2 partners.

**Mid-term:** this 60 min. valuation focused quiz is meant to encourage students to study course materials at the beginning of the term (as opposed to just before the final exam). It will provide students with feedback about their level of understanding of the materials and expose students to how I generally ask questions on exams.

## Detailed Schedule and Readings

There are some readings which are absolutely required and the material is expected for the quiz, assignment, class discussion and the exam. These required readings are specially marked in this outline and on the course page. For the optional readings mentioned below and on the course page follow these guidelines: I have provided more readings than most of you can or want to do. This is on purpose! My attitude on these readings is that they are for your understanding and further education – and some of you want more understanding in a particular area while others have different interests. As far as my expectations for passing the course are concerned: the mid-term and final exam will only be based on what we discuss in class, your own critical and insightful analysis of the problem at hand, and the required readings (and, of course, your prior classes at McGill upon which this course builds). Finally, on just about any topic below, there are readings in the “Research and Papers” section of Aswath Damodaran’s web page at NYU [<http://pages.stern.nyu.edu/~adamodar/>].

<b>Session</b>	<b>Topic</b>	<b>Readings (on Mycourses page unless otherwise noted)</b>
	Introduction and Firm Valuation I	<b>Required before class:</b> <i>Firm Valuation Introduction (read only, no need to work out numbers)</i>
	Firm Valuation II	<b>Optional:</b> <i>JACF: 18.2, Spring 2006, 48-55</i> <i>JACF: 19.2, Spring 2007, 8-37</i> <i>Damodaran: as many readings on valuation as you can stomach.</i>
	Valuation by Multiples	<b>Required before class:</b> <i>Damodaran on Relative Valuation</i>
	Real Options	<b>Required before class:</b> <i>Arundel Partners (HBS reading package)</i> <b>Optional</b> <i>Damodaran on Real Options</i> <i>JACF: 14.2, Summer 2001, 25-40</i> <i>JACF: 15.2, Winter 2003, 83-88</i>
	Corporate Financing	<b>Required before class:</b> <i>Clarkson lumber (HBS reading package) – read only</i> <b>Optional</b> <i>JACF: 17.1, Winter 2005, 8-17</i>
	Capital Structure	<b>Required before class:</b> <i>Lecture Notes</i> <b>Optional</b> <i>JACF: 17.1, Winter 2005, 26-35</i> <i>JACF: 17.1, Winter 2005, 37-54</i> <i>JACF: 15.1, Spring 2002, 8-23</i>
	M&A Case Simulation	<b>M&amp;A in Wine County</b> HBS reading package at <a href="https://cb.hbsp.harvard.edu/cbmp/access/32384301">https://cb.hbsp.harvard.edu/cbmp/access/32384301</a>
	Corporate Risk Management and Payout Policy Paper Due!	<b>Required before class:</b> <i>GM (HBS reading package)</i> <b>Optional</b> <i>Payout Policy Article (JFE)</i> <i>Damodaran on Risk Management</i> <i>JACF: 9.3, Fall 1996, 8-24</i> <i>JACF: 14.4, Winter 2002, 56-70</i>
	Presentations & Review	
	Final Exam	

*The textbook: use chapters on the various topics (Valuation: Chapter 18 & 19; Real Options: Chapter 22; Capital Structure & Dividend Payout policy: Chapters 14-17, Risk Management: Chapter 30) as background readings and to further your understanding. They are quite useful but not strictly required for the exam.*