

Academic Year 2007/2008

**Master of Science Program
MSc in International Finance
Semester 1**

CORPORATE FINANCE
MIF.G.F278
6 credits

Scientific Director:
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Lecturer:
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Syllabus

1. Course Objective

When they make decisions, whether these decisions are investment decisions (i.e., related to the left-hand side of the balance sheet) or financing decisions (i.e., related to the right-hand side of the balance sheet), managers should aim at creating value. The objective of this course is to acquaint you with the theories and practices of corporate finance, and to study the tools that managers use to determine whether their decisions are creating value.

2. Course Organization

This course includes 12 three-hour sessions, including a final exam:

Session	Date	Topic of the Session
1	September 25	Financial Statements, Financial Ratios and Financial Analysis (1)
2	October 2	Financial Statements, Financial Ratios and Financial Analysis (2)
3	October 9	Debt Financing and Valuation
4	October 16	Equity Financing and Valuation
5	October 23	Risk, Return and the Capital Asset Pricing Model
6	November 6	Cost of Capital
7	November 13	Capital Budgeting
8	November 20	Capital Structure (1)
9	November 27	Capital Structure (2)
10	December 4	Dividend Policy
11	December 11	Mergers and Acquisitions
12	December 18	Final Exam

Before the class, you should prepare for the session. “Prepare” does not mean that you have all the answers to all the questions; it means that (1) you have read all the materials (e.g., the book) and (2) you have worked on all the questions for the problems or the cases related to the “Topic of the Session”.

3. Course Evaluation

Your evaluation for this course will come from four components, a mix of individual and group components.

3.1. Quizzes

This is an individual component, which will account for 30% of your final grade. It will be driven by three elements:

- The first quizz (10% of your final grade) will take place at the beginning of Session 3 on October 9. You will be tested on the chapters you have to read for Sessions 1 to 3 included, and on the materials covered in class in Sessions 1 and 2 included.
- The second quizz (10% of your final grade) will take place at the beginning of Session 6 on November 6. You will be tested on the chapters you have to read for Sessions 4 to 6 included, on the case “Teletech Corporation, 2005” you have to read for Session 6, and on the materials covered in class in Sessions 3 to 5 included.
- The third quizz (10% of your final grade) will take place at the beginning of Session 9 on November 27. You will be tested on the chapters you have to read for Sessions 7 to 9 included, on the case “Diageo Plc” you have to read for Session 9, and on the materials covered in class in Sessions 6 to 8 included.

3.2. Assignments

This is a group component, which will account for 20% of your final grade. It will be driven by two elements:

- For the first assignment (10% of your final grade), you will have to work in groups, and prepare a write-up and an Excel model related to the case “The Super Project”, which will give you the opportunity to value a project. Your group write-up and Excel model will have to be turned in at the beginning of Session 7 on November 13.

- For the second assignment (10% of your final grade), you will have to work in groups, and prepare a write-up and an Excel model related to the case “Sanofi-Synthélabo and Aventis: The Birth of a National Champion (A)”, which will give you the opportunity to value a company. Your group write-up and Excel model will have to be turned in at the beginning of Session 11 on December 11.

3.3. Final Exam

This is an individual component, which will account for 40% of your final grade. It will take place during Session 12 on December 18. You will be tested on the content of what was covered in Sessions 1 to 11.

For the quizzes and the final exam, you will only be allowed:

- Your writing instruments;
- Your calculator.

3.4. Participation

This is an individual component, which will account for 10% of your final grade. As long as you come to class, participation will be considered as a bonus:

- If you come to class and you do not participate, your participation grade will be neutral, i.e., the weighted average of your grades for the quizzes, the assignments and the final exam.
- If you come to class and you participate, your participation grade will be higher than the weighted average of your grades for the quizzes, the assignments and the final exam. The bonus will depend on the quality (and not the quantity) of your participation.
- You are only allowed one “joker”, i.e., one absence. Beyond this “joker”, your participation grade will be zero.

3.5. Final Grade and Final Letter Grade

Your final grade will be converted into a final letter grade between:

- Credit validated:
 - A: Excellent
 - B: Very good
 - C: Good
 - D: Satisfactory
 - E: Sufficient

- Credit not validated:
 - Fx: Marginal fail (resit exam)
 - F: Bad fail (no resit exam)

4. Course Book, Cases and Tools

4.1. Book

Stephen A. Ross, Randolph W. Westerfield and Jeffrey Jaffe (RWJ), *Corporate Finance*, Irwin McGraw Hill, 7th edition (2005).

4.2. Cases

- Robert F. Bruner, “Teletch Corporation, 2005”, Darden Publishing;
- Richard F. Vancil and Harold E. Wyman, “The Super Project”, Harvard Business School Publishing;
- George Chacko, Peter Tufano and Joshua Musher, “Diageo Plc”, Harvard Business School Publishing;
- Malcolm P. Baker and Alison Berkley Wagonfeld, “Dividend Policy at Linear Technology”, Harvard Business School Publishing;
- Barbara S. Pécherot Petitt, “Sanofi-Synthélabo and Aventis: The Birth of a National Champion (A)”, Thunderbird Publishing.

4.3. Tools

- A calculator;^{1,2}
- A computer, with Microsoft Office (in particular, Excel and Word).

5. Lecturer

Dr Barbara S. Pécherot Petitt
Associate Professor of Finance

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Office Hours:

- Tuesdays from 1:15pm to 3:45pm;
- By appointment.

6. Honor Code

You are required to adhere to the Honor Code. In particular, exchanging information with another student (for the quizzes and the final exam) or another group of students (for the assignments) will be considered as a violation of the Honor Code.

7. Detailed Course Plan

See Webintec.

¹ If you do not have a calculator, I would recommend the HP 10BII, the HP 12C, the HP 17BII or the HP 19BII. First, the HP 17BII and the HP 19BII are programmable calculators, whereas the HP 10BII and the HP 12C are non-programmable calculators, but you will be able to do all the problems, including the quizzes and the final exam, with a non-programmable calculator. Second, the HP 10BII works in algebraic mode (i.e., “1 + 2 =” gives “3”), the HP 12C “classic” works in RPN (Reverse Polish Notation) mode (i.e., “1 enter 2 +” gives “3”), and the HP 12C “platinum”, the HP 17BII and the HP 19BII work in both modes.

² If you plan to enroll for the Chartered Financial Analyst (CFA) program, the only calculators that are allowed are the HP 12C (“classic” and “platinum”) and the TI BAII Plus.