



Integrative Finance (FIN 370)

Fall 2011

Course Information

Location: CBA 4.332

Time: MW 12:30 – 2:00 p.m.

Unique Number: 03510

TA: TBA

Prereq: 90 Hrs., FIN 357, FIN 367, FIN 353*, and 3 Addl. Hrs. of FIN/RE

Instructor Information

Instructor: William J. Way

Office: GSB 5.176F

Office Hrs: MW 2:00 – 4:00 p.m.

TTH 5:00 – 6:00 p.m. or by appt.

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I. Introduction

Integrative Finance enables you to apply what you have learned in previous finance courses to the solution of realistic business problems. You will employ the concepts and tools of finance to examine a wide range of business issues and explore potential solutions from the perspective of the chief financial officer of the firm. The goal of the course is to familiarize you with the process of analyzing problems, weighing alternative actions, and choosing the best possible solution(s) to enhance firm value. The course is designed to model the workplace and prepare you for a job as a financial professional. Much of the educational process takes place outside of the classroom and you are largely responsible for your own learning.

II. Goals

The primary goal of the course is to enhance your analytical and problem solving abilities. Through a combination of case analyses, readings, lectures, class discussions, and group presentations students should also: (a) improve their speaking and business writing skills, (b) gain exposure to ethical issues frequently encountered by business decision makers, (c) develop personal and professional skills valued by employers (e.g., time management, planning, collaboration, responsibility, and integrity), and d) discover that success in the workplace requires a combination of quantitative and qualitative skills.

III. Classroom Expectations

Active attendance, participation, and preparation are required, as many of our classroom activities are devoted to presentations and discussions. Students are expected to attend every class, prepare every assignment, and participate in every class discussion. Specific information, analytical tools, and study questions will be furnished to the groups responsible for presenting each assignment. If you are unfamiliar with the presentation topic, please review the textbooks from your previous finance courses and supplemental course materials.

IV. Course Materials (Required)

1. **Custom Text: Case and Readings Packet (available at the University CO-OP)**
2. **Against the Gods: The Remarkable Story of Risk (1e).** Bernstein. Wiley, 1996
3. Other material posted on Blackboard

V. Grade Computation

1 Major case (Staff Analysis & Case Exhibits)	30%
1 Case Presentation	8%
3 Executive Summaries (12% each)	36%
1 Book Discussion and 1 Ethics Debate (4% each)	8%
Essay Questions (Ethics and ATG text)	6%
Class Attendance/Participation/Preparation	12%

Final letter grades will be assigned according to the following criteria:

A >93 A- 90-92.9 B+ 87-89.9 B 83-86.9 B- 80-82.9 C+ 77-79.9 C 73-76.9 C- 70-72.9, etc.

You will receive a numeric score for each assignment. Final grades will not be determined until the scores for all assignments are averaged, as indicated above. Final course grades may reflect the application of a small curve. The target GPA for the course is approximately 3.40. **All course grades are final, except in the instance of a recording error.**

Assignments that are submitted on a timely basis will be returned approximately two weeks after their submission. If you have a question about any grade assigned, you must submit the question in writing, within one week after the assignment is returned. Your inquiry should include your name, UT EID, section number, the title of the assignment, and a written explanation of why you think the grade is incorrect. **I retain the right to raise or lower grades after review.**

VI. Individual Written Work (72% of course grade)

This course carries the Writing Flag. Writing Flag courses are designed to give students experience with writing in an academic discipline. In this class, you can expect to write regularly during the semester, complete substantial writing projects, and receive feedback from your instructor to help you improve your writing. You will also have the opportunity to revise one assignment and to read and discuss your peers' work.

Each student will submit four individually written assignments based on cases from the custom text (CT). The major case assignment includes a Staff Analysis (SA) and a set of Case Exhibits (CE). The three shorter case assignments require only an Executive Summary (ES). As an additional writing assignment, each student will prepare essay questions that cover business ethics and material from the Against the Gods (ATG) text.

A. Submission of Individual Written Work – All papers are due before 3:00 p.m. on the dates indicated in the course schedule. Papers submitted after 3:00 p.m. will be penalized 3 points (out of 100) for each 24-hour period (or fraction thereof) beyond the deadline. **Papers must be submitted in two ways:**

- 1. A hard copy of your paper is due in the Finance Department office (CBA 6.222)**
 - A “baby blue” grade sheet, bearing an electronic time/date stamp to document timely submittal, is required when submitting all papers. No other cover sheet is required.
 - Papers without a time/date stamp will automatically be deemed late.
- 2. An electronic copy of your paper is due via the Safe Assign feature of Blackboard**
 - Due dates/times and late penalties also apply to the electronic copy of your paper.

B. Peer Review and Revision – Students will have the opportunity to revise and rewrite the first Executive Summary assignment (Case A or B) after an in-class peer review.

C. Omission Option – You may omit one of the four Executive Summary assignments assigned to your group. Please note that this is not an option to drop the lowest grade, as only three Executive Summaries will be accepted for each student.

- Please notify me in advance of your desire to omit an assignment.
- The first Executive Summary assignment (Case A/B) is not eligible for omission

- ❖ **Since this is a writing requirement course, all written work must be entirely your own (i.e., Executive Summaries, Staff Analyses, and Essay Questions).**
- ❖ **Group members may work together in developing their analyses and may derive similar recommendations; however, the specific language, structure, and format of each student’s paper must be independent.**
- ❖ **Do not share your papers or use the papers of any other FIN 370 student (current or former) in preparing a written assignment!**
- ❖ **The Peer Reviewed assignment is the only exception to this rule.**
- ❖ **Case Exhibits should be shared among group members since they do not count toward the writing requirement.**

VII. Class Presentations (16% of course grade)

Each group will be responsible for presenting specific assignments to the class (Cases, Ethics Debates, and Book Discussions). Creativity is rewarded and props, role-play, PowerPoint slides, or handouts that enhance the presentation are especially helpful. **All presentation grades are individual; hence, everyone in the group must participate in the presentation.**

A. Case Presentations – Major case assignments include a group presentation using the written analyses prepared for the case. **The goal of the presentation is to “teach” the case to your classmates.** In addition to the instructor evaluation, presenters will receive feedback from their classmates (i.e., a case critique). Case presentations should last approximately **60** minutes.

B. Ethics Debates – Two groups will compete by presenting opposing sides of a business ethics issue from the custom text. The debates will be conducted with specific rules and time allotments (TBA) and should last approximately **60** minutes.

C. Book Discussions – Each group will present specific chapters from the **Against the Gods: The Remarkable Story of Risk (ATG)** text. The goal of these presentations is to explore the major concepts from the chapters and engage the audience in discussion. Relating these concepts to the modern practice of finance and risk management is particularly helpful. Book discussions should last approximately **30** minutes per group.

VIII. Class Attendance/Participation/Preparation (A/P/P) (12% of course grade)

The success of this course depends on the active participation of the presenters and the audience. To this end, a significant portion of the course grade is devoted to qualities such as preparation, timeliness, attentiveness, responsiveness, and professionalism.

Your A/P/P grade is determined by your faithful and punctual attendance, preparation of class assignments, the quantity/quality of your contributions to class discussions, and your professional comportment. **Each student is expected to participate in every class discussion and display their name card at all times.**

- You are allowed the equivalent of two absences for any reason.
 - Instances of tardiness, leaving early, and/or non-participation are the equivalent of an absence (see grade calculation, below).
 - If you have more than two unexcused absences (or the equivalent), each additional infraction will reduce your A/P/P grade.
- Two additional absences for interviewing may be completely excused. Absences exceeding this number will be excused for attendance, but not for participation.
 - You must provide interview documentation within two weeks of your absence.
 - Examples of this documentation include an interview schedule, plane ticket, etc.
- Absences due to illness or emergencies may be excused with timely and appropriate documentation, as determined by the instructor. Documentation must be provided within two weeks of your absence.

A/P/P Grade Calculation

- Attendance, including instances of tardiness and leaving early, is recorded for each class session beginning the second week of class.
- Class participation is recorded for each class session that involves a group presentation (ethics discussions, case presentations, and book discussions).
- Participation credit is awarded to:
 - Members of the group who make a presentation
 - Audience members who make a constructive contribution to the class discussion
- Each student begins with a total of **108** points. The eight additional points offset unexcused absences or instances of tardiness/leaving early, non-participation, etc., in any combination. Points are deducted for each occurrence as follows:
 - Unexcused absence = **-4 points**
 - Tardiness/leaving early = **-1 point**
 - Attended class, but did not participate = **-2 points**
 - Excess excused absences for interviewing (> 2) = **-2 points**
 - Excess unexcused absences (> 4) = **-8 points**
 - Unexcused absence for case critique = **-8 points**
- Your final Attendance/Participation/Preparation grade equals the total score derived using these values (**Maximum = 100**).
- **Use your A/P/P points wisely . . . There is no opportunity to restore lost points.**

IX. Group Work

The class will be organized into eight groups of 4 - 5 students each, depending on class size. Groups are formed at students' discretion, on a first come, first served basis. All assignments are given according to group numbers. Most students will stay in the same group for the entire semester. However, if you are unhappy with your group, you may leave it and work alone, or join another group with the instructor's knowledge and the permission of all the members in the new group. If a group is unhappy with a group member they may "divorce" that member for cause, with the instructor's permission. The divorced group member must work alone or find a new group. A group is under no obligation to share analytical work or Case Exhibits with a member who does not contribute to the group.

X. Other Grading Criteria

The primary basis for grading written assignments is content, however, professionalism in presentation is also given substantial weight. The writing skills component of the analysis considers grammar, spelling, punctuation, appropriateness, clarity, and thought. The following book is recommended for aiding in the preparation of written work: Strunk, William, Jr. and E.B. White, "The Elements of Style," Macmillan.

Anyone who needs additional assistance in mastering basic writing skills can receive help through the Undergraduate Writing Center in the Flawn Academic Center, Room 211, or by calling 471-6222. The website for the Writing Center is <http://www.uwc.fac.utexas.edu/>

XI. Academic Integrity

Academic integrity and honesty are critical to the conduct of this course. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to obtain clarification.

Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://www.utexas.edu/depts/dos/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

❖ All assignments must be individually written by the student. You may discuss the assignment with your fellow group members, however, you must write your papers separately and independently to avoid scholastic dishonesty. If you have any questions regarding this policy, please ask the instructor. Instances of scholastic dishonesty will result in significant grade penalties and may be referred to the Dean of Students.

XII. Additional Policies

A. Students with Disabilities – *The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY or <http://deanofstudents.utexas.edu/ssd/>*

B. Access to Blackboard – All students must have access to the Blackboard web site for this course. I will use this venue to post class notes, assignments, announcements, and grades. I will also use the E-mail feature of Blackboard to correspond with you. Check the site (and your E-mail) regularly to ensure that you have the most current information. Please note the following:

Web-based, password-protected class sites will be available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see:

<http://www.utexas.edu/student/registrar/catalogs/gi02-03/app/appc09.html>

C. Laptop Computers and Electronic Accessories – In accordance with Finance Department policy, the use of laptops is prohibited except for making class presentations. As a matter of professional/academic courtesy, all other electronic accessories (cell phones, PDAs, MP3s, etc.) should be stowed during the class session. **Violation of these policies will reduce your A/P/P grade.**

XIII. Additional Comments

The requirements and recommendations for succeeding in this course are outlined in this syllabus. Since no extra-credit is available, I encourage you to follow these policies and utilize my office hours to maximize your understanding of the assignments and their specific requirements. The aforementioned policies provide the basic guidelines and code of conduct for this course. They are designed to reduce confusion and establish an equitable framework for the entire class. As a matter of principle, I will enforce these policies fairly and religiously.

The “spirit” of the course is just as important as the “rules and regulations.” My goal is to create a cooperative classroom environment in which we learn from each other. To that end, I welcome your constructive comments and suggestions as we progress through the course. Your feedback is an important element of course delivery and development.

Barring an emergency, I will be available during office hours and at additional times. I encourage you to visit with me regarding the class assignments, concerns with the course, or just to say “hello.” I am also accessible via telephone or E-mail. I will make every effort to return your call or respond to your E-mail within one business day of its receipt.

FIN 370 – Tentative Course Schedule – Fall 2011

<u>Wk</u>	<u>Day</u>	<u>Date</u>	<u>Topic</u>	<u>Daily Assignments</u>
1	W	Aug. 24	Introduction and Course Overview	Review Syllabus
2	M	Aug. 29	Writing and Presenting Executive Summaries and Cases	Review Writing Guidelines and Grade Sample ES
I. Financial Analysis and Forecasting				
*** Reading: Note on Bank Loans (HBS)				
	W	Aug. 31	Case A: Tire City, Inc. (external funds needed) Case B: Hampton Machine Tool (bank loans)	Odd # Groups: Read case and prepare numbers Even # Groups: Read case and prepare numbers
3	M	Sept. 5	Labor Day	
	W	Sept. 7	In-class peer review of Executive Summary (Cases A & B)	Bring completed draft of ES to class
	TH	Sept. 8	Cases A & B are due in the Finance Dept. and via Safe Assign	Odd # Groups: Turn in Tire City ES (Case A) Even # Groups: Turn in Hampton ES (Case B)
4	M	Sept. 12	Financial Analysis and Case Preview	Discuss Merck and HCA cases
	W	Sept. 14	Corporate Governance and Social Responsibility	Group 1: Turn in Merck SA and CE Groups 3, 5, & 7: Turn in Merck ES
5	M	Sept. 19	Case 1: Merck & Company (Decision Trees)	Group 1: Case presentation Groups 3, 5, & 7: Case critique
	W	Sept. 21	Financial Analysis and Case Preview	Discuss FPL and Radio One cases Group 2: Turn in HCA SA and CE Groups 4, 6, & 8: Turn in HCA ES
II. Financial Policy and Strategy				
*** Reading: Structuring Corporate Financial Policy: Diagnosis of Problems and Evaluation of Strategies (Darden)				
6	M	Sept. 26	Case 2: Hospital Corporation of America (capital structure policy)	Group 2: Case presentation Groups 4, 6, & 8: Case critique
	W	Sept. 28	Book Discussion - Group 4 [ATG: Introduction and Chapters 1 & 2] Book Discussion - Group 6 [ATG: Chapters 3 & 4]	Group 3: Turn in FPL SA and CE Groups 1, 5, & 7: Turn in FPL ES

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<u>Wk</u>	<u>Day</u>	<u>Date</u>	<u>Topic</u>	<u>Daily Assignments</u>
7	M	Oct. 3	Case 3: Dividend Policy at FPL Group, Inc. [A] (dividend policy)	Group 3: Case presentation Groups 1, 5, & 7: Case critique
III. Valuation I				
*** Reading: Methods of Valuation for Mergers and Acquisitions (Darden)				
*** Reading: Leveraged Betas and the Cost of Equity (HBS)				
	W	Oct. 5	Financial Analysis and Case Preview	Discuss Eskimo Pie and ACC cases Group 4: Turn in Radio One SA and CE Groups 2, 6, & 8: Turn in Radio One ES
8	M	Oct. 10	Case 4: Radio One, Inc. (business acquisition)	Group 4: Case presentation Groups 2, 6, & 8: Case critique
	W	Oct. 12	Book Discussion - Group 2 [ATG: Chapters 5 & 6] Book Discussion - Group 8 [ATG: Chapters 7 & 8]	Group 5: Turn in Eskimo Pie SA and CE Groups 1, 3, & 7: Turn in Eskimo Pie ES
9	M	Oct. 17	Case 5: Eskimo Pie (business divestiture)	Group 5: Case presentation Groups 1, 3, & 7: Case critique
	W	Oct. 19	Financial Analysis and Case Preview	Discuss Cooper Industries and Gulf Oil cases Group 6: Turn in ACC SA and CE Groups 2, 4, & 8: Turn in ACC
10	M	Oct. 24	Case 6: American Chemical Corporation (business divestiture)	Group 6: Case presentation Groups 2, 4, & 8: Case critique
	W	Oct. 26	Book Discussion - Group 1* [ATG: Chapters 9, 10, & 11] Book Discussion - Group 3* [ATG: Chapters 12 & 13]	Group 7: Turn in Cooper SA and CE Groups 1, 3, & 5: Turn in Cooper ES
IV. Valuation II				
*** Reading: Hostile Takeovers: A Primer for the Decision Maker (Darden)				
11	M	Oct. 31	Case 7: Cooper Industries, Inc. (merger and acquisition)	Group 7: Case presentation Groups 1, 3, & 5: Case critique
	W	Nov. 2	Book Discussion - Group 5 [ATG: Chapters 14, 15, & 16] Book Discussion - Group 7 [ATG: Chapters 17, 18, & 19] Assign ATG and Ethics Essays	Group 8: Turn in Gulf SA and CE Groups 2, 4, & 6: Turn in Gulf ES

FIN 370 – Tentative Course Schedule – Fall 2011

<u>Wk</u>	<u>Day</u>	<u>Date</u>	<u>Topic</u>	<u>Daily Assignments</u>
12	M	Nov. 7	Case 8: Gulf Oil (merger and acquisition)	Group 8: Case presentation Groups 2, 4, & 6: Case critique
	W	Nov. 9	Ethics Debate - Groups 2 & 6	#21: Are the Risks of Derivatives Manageable?
13	M	Nov. 14	Ethics Debate - Groups 1 & 3	#22: Do We Need National Health Insurance?
	W	Nov. 16	Ethics Debate - Groups 4 & 8 ATG and Ethics Essays due	#23: Is Monitoring of Employee E-Mail Justified?
14	M	Nov. 21	Ethics Debate - Groups 5 & 7	#24: Should the World Continue to Rely on Oil?
	W	Nov. 23	Independent Study	
15	M	Nov. 28	Lecture: TBA Course Instructor Surveys	
	W	Nov. 30	Summary and Course Wrap-up	

Course Packet includes all cases and assigned readings
 ATG = Against the Gods: The Remarkable Story of Risk (1e), Bernstein

ES = Executive Summary
 SA = Staff Analysis
 CE = Case Exhibits

FIN 370 –Assignment Schedule – Fall 2011

Wk	Day	Date	Grp. 1	Grp. 2	Grp. 3	Grp. 4	Grp. 5	Grp. 6	Grp. 7	Grp. 8
1	W	Aug. 24								
2	M	Aug. 29								
	W	Aug. 31								
3	M	Sept. 5	Labor Day							
	W	Sept. 7	All Students: In-class Peer Review of Cases A & B							
	TH	Sept. 8	Cases A & B Due							
4	M	Sept. 12								
	W	Sept. 14	1		3		5		7	
5	M	Sept. 19	1		3		5		7	
	W	Sept. 21		2		4		6		8
6	M	Sept. 26		2		4		6		8
	W	Sept. 28	1		3	4	5	6	7	
7	M	Oct. 3	1		3		5		7	
	W	Oct. 5		2		4		6		8
8	M	Oct. 10		2		4		6		8
	W	Oct. 12	1	2	3		5		7	8
9	M	Oct. 17	1		3		5		7	
	W	Oct. 19		2		4		6		8
10	M	Oct. 24		2		4		6		8
	W	Oct. 26	1		3					
	W	Oct. 26	1		3		5		7	
11	M	Oct. 31	1		3		5		7	
	W	Nov. 2		2		4	5	6	7	8
12	M	Nov. 7		2		4		6		8
	W	Nov. 9		2				6		
13	M	Nov. 14	1		3					
	W	Nov. 16				4				8
	W	Nov. 16	All Students: ATG/Ethics Essays Due							
14	M	Nov. 21					5		7	
	W	Nov. 23	Independent Study							
	M	Nov. 28								
	W	Nov. 30								

Minor Case

Ethics Debate

Major Case (SA & CE)

Case Presentation

Book Discussion

Executive Summary

Case Critique

ATG/Ethics Essays

****Two Assignments****