



Boston University School of Management

Finance Department Finance 2 – FE810 Spring 2015 Syllabus

Instructor:	Dirk Hackbarth	Teaching Assistant:	Orcun Saripinar
Email:	dhackbar@bu.edu	Email:	orcun@bu.edu
Phone:	(617) 358-4206		
Office:	SMG 564		
Office hours:	4-6 pm on Wednesdays (or by appointment)		

COURSE DESCRIPTION AND LEARNING OBJECTIVE

Building on concepts covered in the finance module of the core curriculum (Module 2), this course extends fundamental concepts of corporate finance, capital markets and asset pricing introduced in the core. The course prepares finance concentrators for the specialized MBA finance electives offered in the second year. Corporate finance concepts covered are capital structure decisions, financial modeling, payout policy, real options, valuation, and agency problems. Asset pricing topics may include arbitrage pricing theory and multi-factor models as well as an introduction to the no arbitrage valuation of financial derivative contracts and their use in risk management. The course will provide skills relevant for all finance electives and is required for all finance concentrators in the full time MBA program. It will help students to acquire necessary knowledge for a successful summer internship.

This course covers the core of finance with an emphasis on applications that are vital for corporate, risk and portfolio managers. We will discuss many of the major financial decisions made by managers both within the firm and in interactions with other market participants. We will emphasize the role of risk, how it is managed effectively and how risk, uncertainty, information and incentives interact and can only be addressed by designing appropriate mechanisms.

The course is mostly lecture based but a combination of cases studies and class discussions is used to illustrate the practical relevance of the concepts introduced. Online sources (MyFinanceLab) are used to practice concepts. Finally, a financial modeling and valuation case is used as a capstone project to prepare students for their summer internships.

COURSE MATERIALS

Required textbook: CORPORATE FINANCE by Jonathan Berk and Peter DeMarzo, 3rd edition (including MyFinanceLab access kit), Prentice Hall, ISBN10: 0-13-342415-4, ISBN13: 978-0-13-342415-7.

It is expected that the required readings pertinent to each class will be completed before the lecture. I reserve the right to pose questions to individual students during lectures ("cold calls") in order to stimulate class participation.

Additional materials: Lecture notes and additional content will be available on the course website (see below). You are required to print out the course materials pertinent to each meeting and bring them with you to class (or have them available on a tablet device or a laptop). Two "shorter cases" are listed at the end of the syllabus (see Course Packet).

Course website: All materials handed out in class are also posted on the class website on SMGtools (under Resources). In addition to all class materials, I will also post supplementary assignments and repeat important announcements on the website; it is your responsibility to visit it frequently, and definitely before each class.

PERFORMANCE EVALUATION

Performance will be based on exams, homework assignments, data cases, team cases, as well as class participation. The weights put on each of these components when computing the final average grade are as follows:

Component	Weight
Midterm exam (March 4)	30%
Final exam (May 6)	30%
Homework assignments*	10%
Data cases*	10%
Team cases	10%
Class participation	10%

* For homework assignments and data cases, you have the option to either get the best three scores if you turn in all four or to turn in only three activities of each. You do not have to choose the same option for both activities.

Exams: The exam will be cumulative. You will be allowed to use two US letter size pages (or one front and back) of “cheat sheet” prepared in advance of the exam.

Homework assignments: Homework will be assigned through www.MyFinanceLab.com approximately every three classes. The precise instructions regarding registering, and logging in into myfinancelab are found in the registration handout posted at SMGtools (under Resources). You will have unlimited attempts to complete each question in homework assignments. Homework assignments are to be prepared individually. They are to be submitted by 12:01am on the date indicated in the table below. The homework assignments are to be prepared individually.

Data cases (spreadsheet assignments): Building spreadsheet models helps to achieve one of the main goals of this course – learning the logical relationships among financial variables. Moreover, the ability to work comfortably with spreadsheet models is an essential skill that can only be acquired through practice. There will be four spreadsheet assignments from the course textbook, which you are to complete and submit throughout the semester. The data cases are also posted at SMGtools (under Resources). The data case solutions are to be prepared individually.

Team cases: Groups of 2-3 students will present their solutions to several parts of Ideko and to either BBY or LT.

Class participation: I will expect active participation by students. “Active participation” does not mean that you need to try to answer every question posed in class. Thoughtful questions, answers, and remarks will be rewarded, where “thoughtful” does not coincide with “correct”. The goal of participation is to arrive together at the right answer.

Special Needs: Any student with special needs should bring this to the attention of the instructor as soon as possible, but not later than the second week of class. Please note the date for the midterm exam.

Academic Integrity: We will abide by the school’s code of academic integrity as per the attached link: <http://smgworld.bu.edu/acc/>. Please note that while you are encouraged to work as a group in all of the assignments as well as the valuation project, all examinations are to represent individual work! Note that working as part of a group implies that you are an active participant and fully contributed to the output produced by that group.

SCHEDULE

Class schedule: Class meetings will be on Wednesday between 6:00 pm and 9:00 pm, SMG 304.

COURSE PACKET

Bed Bath & Beyond: The Capital Structure Decision (BBBY)

Artur Raviv, Timothy Thompson, Phillip Gresh, and Shannon Hennessy. Kellogg School of Mgt, KEL082-PDF-ENG.

Dividend Policy at Linear Technology (LT)

Malcolm P. Baker and Alison Berkley Wagonfeld. Harvard Business School, 204066-PDF-ENG.

COURSE OUTLINE

The following table describes the material that we will cover during each class and the required readings from the book that should be completed **before** each class, and the due dates of data cases and homework assignments. We might deviate from this schedule if we'll need to spend more or less time than expected on certain subjects.

Date	Topics	Readings (Book chapters)	Assignments (Prior to class)
January 21	Introduction, Overview, and Review		
January 28	Capital Structure in a Perfect Market	14	
February 4	Debt and Taxes	15	Chapter 14 Data Case
February 11	Financial Distress, Incentives, and Information	16	
February 18	Payout Policy	17	Online HW1
February 25	Capital Budgeting and Valuation with Leverage	18	Chapter 17 Data Case
March 4	Midterm Exam		Online HW2
March 11	Spring Break		
March 18	Exam Review and Emerging Markets	20,21	Chapter 18 Data Case
March 25	Ideko (Team Case)	19	
April 1	Raising Debt and Equity	23, 24	
April 8	Financial Options	20,21	Chapter 23 Data Case
April 15	Real Options	22	Chapter 24 Data Case
April 22	BBBY and LT (Team Cases)		Online HW3
April 29	Review and Wrap-Up		Online HW4
May 6	Final Exam http://www.bu.edu/reg/dates/final-exam-schedule/final-exam-schedule-spring-2015/		