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FINC 495-01 Cases and Problems in Finance

Philip Glasgo
glasgo@xavier.edu

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CASES & PROBLEMS IN FINANCE (FINC 495-01)
FALL SEMESTER 2012

Dr. Philip W. Glasgo
Associate Professor
235 Smith Hall
Phones: 745-3595
745-4383 (FAX)
(812) 487-2905

Email: glasgo@xavier.edu

Office Hours: By appointment and W 4-6; T, H 2-4;

Class Meets: Tuesday/Thursday 4:00-5:15 pm, Smith 251


Selected Chapters from Thompson and Strickland, Strategic Management: Concepts and Cases. Copies are available from the instructor.

Mission of the Williams College of Business:

We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition

Common Characteristics of the Ignatian (Jesuit) Vision include:

- Sees life and the whole universe as a gift calling forth wonder and gratefulness;
- Gives ample scope to imagination and emotion as well as intellect;
- Seeks to find the divine in all things—in all peoples and cultures, in all areas of study and learning, in every human experience, and (for the Christian) especially in the person of Jesus;
- Cultivates critical awareness of personal and social evil, but points to God’s love as more powerful than any evil;
- Stresses freedom, need for discernment, and responsible action;
- Empowers people to become leaders in service, “men and women for others,” building a more just and humane world
Williams College of Business Learning Goals:

The Williams College of Business has chosen to emphasize the following learning goals in its undergraduate business curriculum. Each of these areas will be covered in FINC 495, but special emphasis will be placed on 1, 3, 5, and 6.

1. Critical Thinking: WCB graduates will be able to think logically, reason quantitatively, and utilize appropriate analytical techniques and technology when evaluating and making decisions.

2. Ethics and Social Responsibility: WCB graduates will be able to recognize ethical issues, discern moral implications of decision making, and be prepared, and willing, to serve as responsible and professional members of society.

3. Effective Written and Oral Communication: WCB graduates will be able to organize, support and communicate ideas clearly and effectively, employ multiple mediums of communication (e.g., written, oral and visual), and adapt communication to audience, context or purpose.

4. Global Perspective and Cultural Diversity: WCB graduates will appreciate the historical and cultural contexts of the world in which they live, demonstrate the competencies required for engaging in global business activities, and respect and value diverse peoples and perspectives.

5. Understanding and Application of Knowledge Across Business Disciplines: WCB graduates will be able to evaluate business from an integrative and holistic point of view, leverage the synergies between functional business areas, and demonstrate college-level mastery of their chosen discipline.

6. Personal and Professional Development: WCB graduates will be well-prepared for their future careers and appreciate the importance of continuous professional development and life-long learning.

Class Description: In this class you will learn to apply the material you learned in other Finance classes. Only a small amount of new material will be introduced. But you will be asked to tie together concepts studied in other courses, to make decisions based upon your analysis, and to present your solutions in oral and written form. You will be using not only ideas from other business courses, but from your prior studies in humanities, social studies, theology and philosophy as well. You will be challenged to apply key principles from the Jesuit tradition to your cases and your strategic management assignment.
Class Learning Objectives: Learning objectives include, but are not limited to: develop a comprehensive understanding of financial analysis; develop an understanding of working capital management and the cash conversion cycle; develop critical thinking skills; learn to write a great business report; develop oral presentation skills for a business report; develop understanding at a theoretical and practical level of at least four of the following topics: capital budgeting, capital structure, cost of capital, dividend policy, business valuation; consider the ethical dimensions of financial decisions; apply the computer skills (especially EXCEL) that you have learned in other classes; learn key concepts of Strategic Management.

Prerequisites: You should have completed almost all of your finance classes before taking this course. If you have not taken FINC 401 and ACCT350 or Intermediate Accounting (or are not taking them now), you will be at a severe disadvantage relative to your classmates. FINC 485 will also be very useful.

Groups: You will be assigned to a group during the second week of class. Your preferences as well as group balance and geographic considerations will all be taken into account in making group assignments.

In any group of three or four people, disagreements will arise and participation levels will vary. This is representative of your future business careers--sometimes you do most of the work and others share the credit. However, if your group experiences serious difficulties, please contact me.

Attendance: More than three unexcused absences during the semester will result in a lowering of your grade for the course. A job interview is not an excused absence. If you are more than 15 minutes late to class, it will count as 1/2 of an absence.
Grading: You will present five cases during the semester. Two of these will be individual cases, and three will be part of a group effort. One of the group cases will be an oral presentation which will be videotaped for your use. The other two will be written. Your “group” grade can be raised or lowered based upon your contribution to the group effort. Class participation will be important when the final averages are calculated. You cannot earn an A or B grade in the class if you do not earn at least a B- grade on one of the two individual cases.

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Strategic Management project</td>
<td>10%</td>
</tr>
<tr>
<td>ETS Test</td>
<td>10%</td>
</tr>
<tr>
<td>2 individual cases: 20% each</td>
<td>40%</td>
</tr>
<tr>
<td>3 group cases: 13 1/3% each</td>
<td>40%</td>
</tr>
</tbody>
</table>

93% and above = A; 90+ = A-; 87+ = B+; 83+ = B; 80+ = B-; 77+ = C+; 73+ = C-; 67+ = D+; 60+ = D; Below 60% = F.

Grading Standards are as follows:

**A:** A paper of exceptionally high quality; great depth and breadth of analysis; a balanced, thorough discussion of the problems and potential solutions; excellent writing quality and style; free from errors; logical conclusions drawn from the paper.

**B:** A very good paper; good depth and breadth of analysis; a balanced, thorough discussion of the problems and potential solutions; very good writing quality and style; free from serious errors; logical conclusions drawn from the paper.

**C:** Acceptable paper; reasonable depth and breadth of analysis; reasonable discussion of problems and solutions; few errors; logical conclusions.

**D:** Barely acceptable; serious deficiencies in depth, breadth, and/or presentation.

**F:** Unacceptable.
Strategic Management Project:

You will be required to do one of two projects to demonstrate understanding of the strategic management material presented in class. You may either answer a series of questions about key concepts and their application to a specific for-profit or not-for-profit organization or conduct a personal strategic analysis including the development of your personal mission statement and your personal business plan.

Honesty: We will often discuss ethical issues in class. Just as I expect corporations to act in an ethical manner, I expect you to be ethical as well. Unauthorized use of work that is not your own will result in a failing grade in the course.

Late Papers: Unless you have prior approval from the professor, if your paper is not turned in by the end of class on the day it is due, the grade will be lowered at least one letter grade.

Schedule: The complete schedule will be distributed during the second week of class after case group assignments are firm. Your first group case will be due September 18.

ETS Exam: There will be an exam given to all students in the Williams College of Business Capstone Courses this semester. The purpose of this exam is to provide an assessment of our program at Xavier as compared to other universities. The exam is widely used on a national basis, and is a course requirement for all Capstone students in the Williams College of Business. You will receive information concerning your grade on the exam, as well as information as to how it compares to the national participants. The results of this test are important to you and to Xavier. The results will help us understand if there are improvement opportunities, and they will help you understand how you compare to students on a national level.

The exam that you will be taking is the "Major Field Test" from the Educational Testing Service (ETS). The ETS exam is three hours long and will be administered by the Williams College of Business. We are trying to schedule it during class time, but it may have to be at another time. In general, the exam will cover all areas of business, including Accounting, Economics, Management, Quantitative Business Analysis and Information Systems, Finance, Marketing, and Legal and Social Environment studies. Your results from this exam will represent 10% of your grade for this course.
## Tentative Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Introduction; How to do cases; Financial Analysis review</td>
</tr>
<tr>
<td>2.</td>
<td>Financial Analysis Review; Working Capital Review</td>
</tr>
<tr>
<td>3.</td>
<td>Banking and Lending Theory</td>
</tr>
<tr>
<td>4.</td>
<td>Spreadsheets and Pro Formas; First Case Preparation</td>
</tr>
<tr>
<td>5.</td>
<td><strong>First Group Case Due</strong>—written(Sept 18);</td>
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<tr>
<td>6.</td>
<td>Capital Budgeting and Cost of Capital Review</td>
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<tr>
<td>7.</td>
<td>Valuation Review; Strategic Management Discussion</td>
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<tr>
<td>8.</td>
<td><strong>Second Group Case Due</strong>—oral or written(Oct 4, 9) Fall Holiday</td>
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<tr>
<td>9.</td>
<td>Capital Structure Review; Individual Case Preparation</td>
</tr>
<tr>
<td>10.</td>
<td>Individual Case Preparation; <strong>First Individual Case Due</strong>—written (Oct 25)</td>
</tr>
<tr>
<td>11.</td>
<td>Mergers and Acquisitions Review; Third Case Preparation</td>
</tr>
<tr>
<td>12.</td>
<td>Strategic Management Discussion; Third Case Preparation</td>
</tr>
<tr>
<td>13.</td>
<td><strong>Third Group Case Due</strong>—oral or written(Nov 13, 15)</td>
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<tr>
<td>14.</td>
<td>Dividend Policy and Stock Repurchases Review; Thanksgiving</td>
</tr>
<tr>
<td>15.</td>
<td>Discussion of Second Individual Case</td>
</tr>
<tr>
<td>16.</td>
<td><strong>Second Individual Case Due</strong> (Dec 4 or 6)/Discussion of Personal Evaluation/Strategic Management Assignment</td>
</tr>
<tr>
<td>17.</td>
<td><strong>Personal Evaluation/Strategic Management Assignment due</strong>—(Dec 13)</td>
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