

BMGT 741 – ADVANCED FINANCIAL MANAGEMENT

Background Information

Course Objective: This is an advanced course in corporate finance. It provides an advanced treatment of topics previously covered in the core course and introduces new topics. By the end of the course, you should have developed an expanded ability to analyze and think about contemporary issues in corporate finance so as to make a significant contribution to a team or task force setting financial policy in a corporate environment. The main subject areas covered in the course are:

- Advanced Capital Budgeting and Value Creation
- Advanced Capital Structure and Current Debate on Dividend Taxation
- Initial Public Offerings
- Options in Corporate Finance: Real Options and Advanced Securities
- Financial Contracting, Corporate Governance, and Current Debate
- Financial Distress and Privatization of Bankruptcy
- Corporate Hedging and Risk Management

Approach: The course adopts a *capital market approach* to the study of corporate finance through *applications* of the *risk-return tradeoffs* in capital markets and simple *option pricing* models. This is consistent with the overall *objective* of maximizing *shareholder wealth* in financial decision-making. The pedagogy consists of lectures interspersed with case studies. You will work in a *team* to analyze the cases. Sections begin with lectures and discussions. *You should come to class fully prepared to engage in active discussion.*

Case Preparation and Presentation: The students will be organized into 4-5 team members. Each team is responsible to make *one* case presentation. The list of cases and the guidelines for case preparation are contained *at the end* of this syllabus. Each team is assigned a *grade* for case preparation and presentation. The grouping provides an opportunity for *team work/learning* that is vital for your success in the finance profession. However, to mitigate “free ridership”, there will be *peer evaluation*. Each participant will rate the contribution of the other members of the group. These ratings will be used in the determination of the final grade for individual members. Note that your team’s preparation and presentation must be based on the effort of your own team members. You are *not* allowed to discuss the case with individuals in other teams.

Note: Teams should make either *transparency* or *Power point* presentations. Please submit an electronic version of PowerPoint slides (or regular transparency slides) a day in advance of your presentation. You are also encouraged to provide key handouts to your audience.

Case Briefs/Memos: Each team is required to turn in 2 brief case write-ups (“*case briefs*”), using the same guidelines for case preparation.. These case briefs should not exceed two pages (single-spaced). You may attach relevant exhibits, such as graphs and tables, to the two-page briefs. You should only include exhibits that are referenced in the brief. You need not *rehash* the case situation in your write-up, but use your best judgment as to how much case material to include. You should, however, take a stand on the resolution of the case and provide recommended solutions after you provide a clear diagnosis and analysis of the salient issues in the case. You are expected to choose your own cases for the case briefs, but they should be dispersed *uniformly* through the semester. *Note that the case briefs should be in 12 point type with 1 inch margins.*

Class Participation: While the case preparations and presentations are team effort, all the students are expected to read *all* the cases and be prepared to open *all* case discussions. In addition, you are all expected to engage in active *class participation* so as to maximize your own learning experience and contribute positively to your classmates. It is important that you attend *all* the classes. If you miss class, your learning will be impaired. Equally important, you can’t add your unique insights to class discussion. In the unlikely event that you miss a class, or come late, make sure you obtain lecture notes and announcements from your designated classmate.

Course Examination: There is *only* one exam in the course, given that you will be working on an extensive term project (see below). The exam is given toward the *latter* part of the semester. It may include problems, conceptual questions, and short cases.

Assignments: Assignments are listed in the course outline, and they are drawn from end-of-chapter problems in the text and occasional handouts. They are primarily for class discussion, and they are due at the completion of the relevant subsections. You should be prepared to hand in these assignments on the due dates. Some may be graded.

Term Project: The term project is intended to provide an opportunity for real world analysis, and it is described *at the end* of the course outline. You should choose this project with care, as it is expected that you will be spending considerable amount of time working on it. A team of 3-5 students should do the term project.

Current Events: You should keep abreast of current events that are relevant to the topics covered in the course (e.g., current debate on dividend taxation, corporate governance failures and reforms, airline bankruptcies). Be an aggressive consumer of such periodicals as the *Wall Street Journal*, *Financial Times*, *The Economist*..

Blackboard/web access: You should be able to access various course materials, announcements, and discussion notes through a blackboard environment via the following website: <http://bb.rhsmith.umd.edu>. To log on, you need your University Directory (LDAP) id and password. To find your login id and password, go to <https://www.ldap.umd.edu/cgi-bin/chpwd>. Your current e-mail address must be maintained in Testudo, since Blackboard uses this to send e-mail relating to the course.

For further information about the Blackboard, consult:
<http://www.rhsmith.umd.edu/blackboard>.

Text/Supplementary Readings: *Lectures* and *cases* are the primary source of material for the course. To help you in taking lecture notes, lecture aids will be available in an outline form and electronic version. There are also *readings* to supplement the required text. You should read the text and reading assignments (see the course outline below) before you come to class. The cases and supplemental readings are contained in a *course packet* that you can pick up from the University bookstore.

(a) Required Text: Stephen Ross, Randolph Westerfield, and Jeffrey Jaffe, Corporate Finance (McGraw-Hill Irwin, 2002). Referred to in the course outline as "*Text*."

(b) Course Packet (Required); Referred to as "*Packet*" [Cases and Readings].

© **Recommended:** Amir Barnea, Robert Haugen, and Lemma W. Senbet, Agency Problems and Financial Contracting (Prentice-Hall, 1985). Referred to as "*BHS*" [Relevant chapters included in a course packet]

Grading: The overall grade will be determined on the basis of:

Case Preparation and Presentation	20%
Class Participation and Case Briefs	15%
Graded Assignments	15%
Course Examination	25%
Term Project	25%

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Important Notice from the Smith School

- Academic Integrity:** The University's *Code of Academic Integrity* is designed to ensure that the principles of academic honesty and integrity are upheld. All students are expected to adhere to this Code. The Smith School does not tolerate academic dishonesty. All acts of academic dishonesty will be dealt with in accordance with the provisions of this code. Please visit the following website for more information on the University's Code of Academic Integrity:
http://www.inform.umd.edu/CampusInfo/Departments/JPO/AcInteg/code_acinteg2a.html
On each exam or assignment you will be asked to write out and sign the following pledge. "*I pledge on my honor that I have not given or received any unauthorized assistance on this exam/assignment.*"
- 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.