

Course Syllabus
Finance 70440: Financial Policy
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Office Hours: I will be in from 1:00 to 3:00 on Tuesdays and Thursdays.

You are welcome to stop by at other times, but may have more success in catching me if you email or call first.

Course Materials. The course packet contains my lecture notes, past exams, potential test questions and case questions. It is available on the third floor copy shop at O'Shaughnessy Hall. Cases are online at Harvard Business School Press, at

<http://cb.hbsp.harvard.edu/cbmp/access/74571644>

Subject Matter: The class covers three subjects. First, how should firms raise money to make investments? This includes topics like capital structure, debt maturity, and different ways to sell equity. Second, when should firms pay out cash to shareholders and how should they do so? This includes the topics of dividend policy and share repurchases. Third, we talk about restructurings - mergers, spinoffs, and carveouts. This class is best taken in the first year for students in the two-year MBA program.

Grading:

Grades will be based on class participation, the midterm, and the final. The midterm and final will be equally weighted. Students can choose to be graded on cases either by class participation, or by turning in a one page summary of the case which addresses the main issue of the case. Students who do very well on cases will see their final grade increased by half a point, while students with the poorest performance on cases will see their grade lowered by half a grade. In past years, about 1/3 of the class have had their grades raised by case performance and about 1/3 have had their grade decreased. The midterm will be April 11th, and the final will be as scheduled during finals week. The midterm will take up the first half of the class only. I will lecture the second half. The final will be of similar length, but you will be able to take the whole period if you wish. The exams will consist of short essay questions with, perhaps, some multiple choice questions. Material in the class notes, readings, cases, and class discussions is all fair game for exams. You will find past exams and potential test questions in your notes. AT LEAST 30% of the points on each test will come directly from these sources.

To do well: You should read the appropriate class notes and other readings BEFORE class. Read the cases and other materials, answer the discussion questions and be prepared to discuss the cases in class. You are encouraged to discuss cases and study questions with others outside of class. Going through the study questions and past tests carefully is essential to doing well on the exams.

I think Corporate Finance is a fascinating subject and I think you will too.

Date	Topic	Assignments
3/19	Financing Decisions, M&M	
3/21	Debt, Conflicts with Equity	Bed, Bath, & Beyond
3/26	Debt, Maturity	UAL, 2004 Pulling Out of Bankruptcy
3/28	Venture Capital	JP Morgan Bear Stearns
4/4	Equity: IPOs	Avid Radiopharmaceuticals
4/9	Equity: SEOs	Alibaba's IPO Dilemma: Hong Kong or New York?
4/11	Executive Compensation	Midterm
4/16	Dividends	Say on Pay: Qualcomm, Inc. Shareholders Vote 'Maybe'
4/18	Share Repurchases	Financial Policy at Apple, 2013
4/23	Risk Management	Generating Higher Value at IBM
4/25	Mergers	Risk Management at Apache
4/30	Spinoffs & Carveouts	Mellon Financial and the Bank of New York
5/2	Review/Current Topics Final Exam	

Some Principles of Finance to Help You Think Clearly About Financial Issues

1. A financial policy doesn't create any value if investors can do it themselves.
2. Opportunities for arbitrage should be rare and fleeting.
3. Markets are pretty efficient.
4. Corporations are legal fictions that serve as a nexus of contracts. They do not have objectives, goals, or desires. Managers of corporations do, and look out for their own interests.
5. Firms should be run by shareholders with the objective of maximizing shareholder value.
6. Managers know things that outsiders do not - and this makes it more difficult and expensive to obtain external financing.
7. Opportunities for a firm to make, expand, cancel, or alter investments are options, and the greater the uncertainty about the investments, the more valuable the options.