

UNIVERSITY OF SOUTHERN CALIFORNIA
Marshall Graduate School of Business
EMBA Theme 3 – General Manager as Integrator
Finance Module

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Office Hours: Before and after all finance classes and by appointment

Module Overview

The primary focus of this module is to explore many of the corporate finance issues associated with the “right-hand” side of the balance sheet and to develop additional skills in financial strategy and analysis. We will explore how a financial manager can add value to a firm by integrating corporate finance and corporate strategy. In particular, we will examine: (i) the sources of capital available to a firm, (ii) the relative advantages of internal versus external capital, (iii) the relative advantages of equity versus debt capital, and (iv) methods by which a firm returns capital to investors. In our discussions you will be asked to think about how firms’ financing decisions interact with firms’ investment decisions to help or hinder the process of value creation. You will be asked to quantify and qualify factors that help determine financial strategy, including the costs of financial distress and the value of financial flexibility.

The module will include lectures, case analyses, and discussions. We will apply some of the concepts and techniques learned in the prior finance module to actual situations involving strategic decisions. So, many of the topics that were raised in previous sessions will be revisited.

Learning Outcomes

The learning outcomes of the course are to:

1. Understand how growth and profitability determine a firm’s need for external capital and ability to return funds to investors.
2. Understand the relative merits of debt versus equity financing and how a firm’s investment policy influences the optimal debt-equity mix.
3. Understand how a firm’s capital structure choice impacts the firm’s cost of capital and allocation of risk among investors.
4. Understand the factors that influence firms’ payout policy choices.

Course Materials

- Required text: (RWJ) Ross, Westerfield and Jaffe, Corporate Finance, 10th edition, McGraw-Hill Irwin.
- Case – Clarkson Lumber Company (HBS 9-297-028)
- Case – Blaine Kitchenware, Inc.: Capital Structure (HBS 4040)
- Case – Hansson Private Label, Inc.: Evaluating an Investment in Expansion (HBS 4021)
- Case – Going to the Oracle: Goldman Sachs, September 2008 (HBS 9-309-069)
- Case – The General Motors Corporation (D) 1993-1996 (HBS 9-299-009)
- Overheads/lecture notes

Schedule

See separate document

Grade Breakdown and Expectations

The module will be graded on a 100 point scale, allocated as follows:

Assignment	Percentage of Grade
Participation	10%
Discussion questions	15%
Quiz 1	25%
Quiz 2	25%
Take Home Assignment	25%

Class Participation

Class participation is an important part of the learning experience of this course because the richness of your learning experience depends greatly on the degree of preparation by all students prior to each class session as well as the exchange of dialogue that broadens perspective and introduces alternative viewpoints. You are expected to be prepared for all classes and actively participate in class discussions. All students begin with full credit for participation. A student may lose points for being unprepared when called upon or behaving in a disruptive or counterproductive manner that undermines the learning environment.

Discussion Questions

Most sessions have a few discussion questions listed in the detailed schedule. These questions are designed as food for thought and to lend perspective as you read the book and cases. You should hand in brief answers to the questions **prior** to each session. (Late submissions will not be accepted.) You are encouraged to discuss the questions with your classmates, but each student should finalize and turn in answers individually. It is not appropriate for several students to turn in identical work. Scores are based on effort and completeness, not correctness.

Practice Problems

We are covering a broad range of material in a relatively short period of time and need to assimilate it quickly. Learning quantitative methods of analysis requires practice. A few practice problems will be given each weekend we meet and are scored on effort and completeness, not correctness. The important thing is to think about and attempt the problems at least once before looking at the correct answer. You are encouraged to discuss the questions with your classmates, but each student should finalize and turn in answers individually. It is not appropriate for several students to turn in identical work.

Quizzes and Take-Home Assignment

Quiz 1 will cover approximately the first half of the module. Quiz 2 will cover approximately the second half of the module. The take-home assignment will cover the entire module. Each will have both a qualitative and quantitative component. Assigned readings and classroom lectures will prepare you for the qualitative questions. Classroom examples, practice problems, and case analysis are representative of the quantitative questions you might see.

Case Analyses and Discussions

Cases provide a venue for practicing analytic skills and linking theory with practice. Cases often raise multiple issues and lend themselves to a variety of analytic approaches. Unfortunately, we don't have the time necessary to analyze and discuss each case fully in every dimension. You should take a broad perspective when reading the case, but use the study questions to guide and focus your analysis. Your aim is to develop concrete, well-reasoned recommendations (ideally supported by sound analysis). During in-class discussions you should be prepared to explain your recommendations and be prepared to actively listen to proponents of alternate courses of action.

Code of Ethics and Academic Integrity

The use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other assignment is unacceptable to the University. In such case, the instructor may disqualify the student's work and assign a failing mark. All students at the University of Southern California have an inherent responsibility to uphold the principles of academic integrity and to support each other and the faculty in maintaining a classroom atmosphere that is conducive to orderly and honest conduct. Students are responsible to understand and uphold the rules in the Student Conduct Code in the USC SCampus handbook.

Students with Disabilities

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP). A letter of verification for approved accommodations can be obtained from DSP.