



Financial Management Concentration Integration
FINA 5521-A
Fall 2017 (F2)

Instructor Information

Instructor: Jorge Cruz Lopez

Email: Jorge.CruzLopez@Carleton.ca

Office: DT919-1

Website: TBA

Phone: 613-520-2600 ext. 3248

Office Hours: Wednesdays 6:00:PM to 7:00PM.

Course Details

Term	Fall (F2) From November 8 to December 20, 2017.
Lecture Times	Wednesdays 2:35PM to 5:25PM
Lecture Location	Dunton Tower 701
Number of Lectures	6
Final Exam Date	Wednesday December 20, 2017 from 2:35PM to 5:25PM.
Final Exam Location	Dunton Tower 701
Credits	0.25
Restrictions	Precludes additional credit for BUSI 5500
Prerequisites	FINA 5501 , FINA 5502 , FINA 5512 and FINA 5513 .
Graduate Calendar Description	FINA 5521 integrates and applies all the accounting and finance concentration coursework. Critical thinking is stressed via the case study approach. Focuses on complex problems and allows students to gain a deeper understanding of the salient issues discussed within the financial management concentration. Precludes additional credit for BUSI 5500.
Drop Course Policy	The deadline for academic withdrawal is the last day of classes (each term).

Course Description

This is the final finance course for students specializing in [Financial Management](#) in the MBA program. The course will focus on applying and refining the techniques learned in previous finance courses and will introduce new tools applicable to a broad set of managerial problems.

The course will cover three main sections: (1) Defining value and wealth creation, (2) Measuring value and wealth, and (3) Understanding the link between value and value-based management.

Throughout the course, students will gain a better understanding of the role that financial professionals, such as analysts, managers and CFOs, play in organizations. More importantly, students will learn about the limitations of financial tools in certain contexts and the challenges of making financial decisions under uncertainty. We will review the theoretical and practical debates surrounding these challenges, as well as the most efficient techniques used to overcome them. This knowledge should prove valuable to all students given the changing economic and corporate environment that they are likely to encounter during their career.

Please note that the course pre-requisites grant the assumption that enrolled students have a good understanding of managerial accounting, statistics, and corporate finance. Please review the material covered in pre-required courses before attending the first lecture.

Method of Instruction

There will be one 170-minute lecture per week. Lectures will consist of a combination of presentations and discussions. There are a number of readings (e.g., case studies and academic or practitioner articles) and projects (e.g., case study reports and presentations) assigned for each session. **Students are responsible for reading the relevant materials and completing the required projects prior to each lecture.**

During each lecture the instructor will randomly select a few students to present a brief summary of the assigned readings or projects and their participation will be graded.

Please note that due to time constraints, not all of the assigned materials (i.e., readings, lecture slides/notes) will be covered in class. However, students are still responsible for studying these materials as they will be tested in the final exam.

Lectures are expected to be interactive and active participation is strongly encouraged (and graded).

Course Material

There is no required textbook for this course. Readings will consist of case studies, book chapters, and academic or practitioner articles. These readings will be available through the course outline, the course website or the University Library.

Please note that most of the assignments are based on case studies. Therefore, students are strongly encouraged to research additional material that they may consider relevant from the University Library or any other sources.

Students might also want to consider the following books to support their learning or for future reference:

Koller, T., Goedhart, M. and Wessels, D. (2010), *Valuation: Measuring and Managing the Value of Companies*. McKinsey & Company, Inc., John Wiley and Sons, Fifth Edition.

Schwartz, E. and Trigeorgis, L. (2004), *Real Options and Investment under Uncertainty: Classical Readings and Recent Contributions*. The MIT Press, First Edition.

Trigeorgis, L. (1996), *Real Options: Managerial Flexibility and Strategy in Resource Allocation*. The MIT Press, First Edition.

Grading Scheme

Participation	10%
Case-study reports (4)	20%
Case-study presentations (2)	10%
Final project	20%
Final Exam	40%
Total	100%

Please note that all grades are subject to the approval of the Dean.

Graded Components

Participation

Work type: Individual

Context: Students are expected to actively contribute to class discussions and their colleagues' presentations. In addition, during each lecture, the instructor will randomly select a few students to present a brief summary of the assigned readings for that lecture.

Evaluation: Students will be evaluated based on the quality of their contributions to class discussions, as well as on their demonstrated ability to summarize and explain the concepts in the assigned readings. At the beginning of each lecture, students will be required to hand in a one to two-page summary of the assigned readings. Point form is acceptable.

Graded Components Continued

Case-study reports (4) **Work type:** Groups (pre-assigned)

Context: There will be four case-studies assigned for this course. These cases will be analyzed in pre-assigned groups of 3-4 students. Each group is required to prepare a 10 to 15-page report with the following sections:

1. Executive summary (with an overview of the identified issues, analysis and recommendation)
2. Summary of the situation/context
3. Identification of the problems/issues
4. Proposed solution/recommendations
5. Analysis supporting the proposed solution
6. Conclusion

Evaluation: Groups will be assigned during Session 1 (see [Course Schedule](#) below). Each group will be evaluated based on the quality of its reports and analyses. In addition, each group member will be evaluated based on his/her individual contribution as assessed by other group members.

Case-study presentations (2)

Work type: Groups (pre-assigned)

Context: Each group will be required to present its analysis of two of the four case-studies described in the previous section. Groups conducting a presentation are required to prepare PowerPoint slides and handouts for the entire class. These handouts should include all relevant tables and calculations. A typical presentation will be structured as follows:

1. Summary of the situation/context: 5min
2. Identification of problems/issues: 10min
3. Proposed solution/recommendations: 15-20min
4. General class discussion: 10-15min.
5. Conclusion: 5min

Evaluation: Dates for presentations will be assigned during Session 1 (see [Course Schedule](#) below). Each group will be evaluated based on the quality of its presentations and analyses. In addition, each group member will be evaluated based on his/her individual contribution as assessed by other group members.

Graded Components Continued

Final Project

Work type: Groups (pre-assigned)

Context: Each group will be required to prepare a case-study based on a particular issue faced by a non-financial company listed in the TSX. Groups can take the role of the CFO in the selected company, an external analyst advising on a potential M&A, or an asset manager considering to invest in the company.

The analysis should be constrained to the last five years for which company data is available. Each group should identify a particular issue or situation faced by the company, conduct a full analysis, and provide recommendations for addressing the identified issue or situation. The best analyses will consider all aspects of financial management (e.g., performance, real options, cost of capital, capital structure, dividend policy, compensation, valuation, etc.).

Reports should not exceed 25 pages and they should include the following sections:

1. Executive summary (with an overview of the situation, identified issues, analysis and recommendation)
2. Description of the company and industry
3. Summary of the situation/context
4. Identification of problems/issues
5. Proposed solution/recommendations
6. Analysis supporting the proposed solution
7. Conclusion

Evaluation: Final projects are due on Session 6 (see [Course Schedule](#) below). Each group will be evaluated based on the quality of its report and analysis. In addition, each group member will be evaluated based on his/her individual contribution as assessed by other group members.

Final Exam

Work type: Individual

Context: The final exam will cover all of the material assigned for the course (i.e., readings, lecture notes, case-studies, etc.).

Evaluation: The final exam will take place during Session 7 (see [Course Schedule](#) below). Each student is required to write the final exam individually. Grades will be assigned following university guidelines.

Important Notes

Students should submit a hard AND an electronic copy of their assignments and presentations and always keep a hard copy for themselves. Acceptable electronic formats are MS Word, MS PowerPoint, and PDF. No other formats will be accepted. **Assignments must be submitted at the beginning of the session when they are due.** Late assignments will not be accepted (with the exception of documented medical reasons). Graded assignments will be returned within two weeks of submission during the lecture.

Satisfactory In-term Performance

In order to achieve Satisfactory In-term Performance, a student needs to complete at least 50% of all pre-final term work (specifically, cases and presentations).

Unsatisfactory In-term Performance will lead to a failing grade in this course (FND – Failure No Deferral), regardless of the student’s performance in the final exam.

Deferred Final Examination

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate documents to support the reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with the examination schedule.

Student Preparation

Prior to each lecture, students are required to complete the assigned readings and case-studies for that session. All class discussions will proceed under the assumption that students have read the required material in advance.

Conduct

Students are expected to behave ethically and professionally throughout the course. Among other things, this code of conduct implies respecting other students and the instructor, attending lectures, being punctual, completing all assigned work, and minimizing class disruptions.

In addition, students are expected to perform all required work individually, unless it is explicitly stated that the work can be completed with their assigned groups. All exams, however, must always be completed individually. Any other forms of work-sharing might be considered unethical and could be penalized.

Changes to the Course Outline

Every effort has been made to make the information in this document as complete and as consistent as possible. However, the instructor reserves the right to modify the course outline or required material at his discretion. If changes to this document occur, the instructor will communicate these changes to the students registered in the class and an updated version of the outline will be distributed either by email or through the course website.

Course Schedule and Readings (Tentative)

Session 1
(Nov 8)

1. Introduction to the Course

- Review outline and course policies
- Form groups.

2. Role of the CFO

- [Caringi, D. \(2014\), The New Role of Modern CFOs.](#)
- [Friedman, F. \(2015\), What Will the CFO Role Look Like in 2020?](#)
- [Graham, J.R., Harvey, C.R. and Puri, M. \(2015\), Capital Allocation and Delegation of Decision-making Authority within Firms. Journal of Financial Economics, 115 pp. 449-470.](#)
- [Jog, V. \(2014\), CFO as a Navigator: Becoming a Perfect CFO. Corporate Renaissance Group Blog.](#)

3. Cost of Capital

- [Booth, L. \(2015\), Estimating Discount Rates. University of Calgary School of Public Policy Research Papers, 8, pp. 1-39.](#)
- [Bruner, R.F, Eades, K., Harris, R. and Higgins, R.C. \(1998\), Best Practices in Estimating Cost of Capital: Survey and Synthesis. Financial Practice and Education, Spring/Summer, pp. 13-28.](#)
- [Estrada, J. \(2011\), The Three factor model: A practitioner's Guide. Journal of Applied Corporate Finance, Spring, pp. 77-84.](#)
- [Fernandez, P., Aguirreamalloa, J. and Corres, L. \(2012\), Market Risk Premium Used in 82 Countries in 2012: A Survey with 7,192 Answers. IESE Business School.](#)

Course Schedule and Readings Continued (Tentative)

Session 2
(Nov 15)

1. Corporate Finance Decision Domain

- i. [Graham, J.R. and Harvey, C.R. \(2001\), The Theory and Practice of Corporate Finance: Evidence from the Field. Journal of Financial Economics, 60, pp. 187-243.](#)
- ii. [Tonello, M. \(2014\), The Activism of Carl Icahn and Bill Ackman. Harvard Law School Forum on Corporate Governance and Financial Regulation.](#)
- iii. Suggested Material:
 - o [Citigroup Global Markets \(2017\), Making the Right Move Preparing for an Evolving Activism Landscape. Corporate Finance and Investment Banking.](#)
 - o [Icahn, C. \(2014\), Icahn Enterprises L.P. Investor Presentation.](#)
 - o [Carl Icahn and Bill Ackman Interview on Activist Investment.](#)
 - o [Ted Braun \(2017\), Betting on Zero, Zipper Bros Films Documentary.](#)

2. Review of CAPEX/Investment Decisions

- i. [Chance, D. M. and Peterson, P. P. \(2002\), Real Options and Investment Valuation. The Research Foundation of AIMR.](#) Read chapters 1, 2, 5 and 7.
- ii. Suggested Material:
 - o [Citigroup Global Markets \(2017\), Spin to Win Stepping Stones to Spinoff Success. Corporate Finance and Investment Banking.](#)

➤ **Due: Case 1 - PepsiCo**

Session 3
(Nov 22)

1. Measuring Corporate Performance: Shareholder Value, Capital Structure Part I

- i. [Damodaran, A. \(1999\), Value Creation and Enhancement: Back to the future. Working Paper NYU Stern School of Business.](#)
- ii. [Jog, V. and Dutta, S. \(2003\), Value and Wealth Creation. Canadian Investment Review, Winter, pp. 45-50.](#)
- iii. [Velez-Pareja, I. and Tham, J. \(2004\), EVA Made Simple: Is It Possible? Duke University Working Paper.](#)

➤ **Due: Case 2 - Euroland Foods**
(roles will be assigned to different groups)

Course Schedule and Readings Continued (Tentative)

Session 4
(Nov 29)

1. Measuring Corporate Performance: Shareholder Value, Capital Structure Part II

- i. [Bradley, C., Dawson, A., Smit, S. \(2013\), The Strategic Yardstick You Can't Afford to Ignore. McKinsey Quarterly, October.](#)
- ii. [Fernandez, P., Aguirremalloa, J. and Corres Avendaño, L. \(2015\), Shareholder Value Creators in the S&P500: 1991-2010. IESE Business School Working paper.](#)
- iii. [Graham, J.G., Harvey, C.R., and Rajgopal, S. \(2006\), Value Destruction and Financial Reporting Decisions. Financial Analysts Journal, 62-6, pp. 27-33.](#)

➤ **Due: Case 3 - Valmont Industries**

Session 5
(Dec 6)

1. Incentives

- i. [Bettis, C., Bizjak, J., Coles, J. and Kalpathy, S. \(2010\), Stock and Option Grants with Performance-based Vesting Provisions. The Review of Financial Studies, 23-10, pp. 3849-3888.](#) Journal article available through the library.
- ii. [Core, J.E., Guay, W.R., and Larcker, D.F. \(2003\), Executive Equity Compensation and Incentives: A Survey. Federal Reserve Bank of New York, Economic Policy Review 9-1, pp. 27-50.](#)
- iii. [Kaplan, R.S., and Norton, D.P. \(1992\), The Balanced Scorecard Measures That Drive Performance. Harvard Business Review 70-1, January-February, pp. 71-79.](#) Article available through the library.
- iv. [Kaplan, R.S., and Norton, D.P. \(1996\), Using the Balanced Scorecard as A Strategic Management System. Harvard Business Review 74-1, January-February, pp. 75-85.](#) Article available through the library.
- v. [Kerr, S. \(1995\), An Academy Classic: On the Folly of Rewarding A, While Hoping for B. Academy of Management Executive, 9-1, pp. 7-14.](#) Journal article available through the library.
- vi. [Rappaport, A. \(1999\), New Thinking on How to Link Executive Pay with Performance. Harvard Business Review, March-April, pp. 91 – 101.](#) Article available through the library.

➤ **Due: Case 4 - WM Wrigley**

Course Schedule and Readings Continued (Tentative)

Session 6
(Dec 13)

1. Real world and Summary

- i. [Haspeslagh, P.C., Noda, T., and Boulos, F. \(2001\), Managing for Value: It's Not Just About the Numbers. Harvard Business Review, July-August.](#) Article available through the library.
- ii. [Ittner, C.D., and Larcker, D.F. \(2003\), Coming up Short on Non-Financial Performance Measurement. Harvard Business Review, November, pp. 88-95.](#) Article available through the library.
- iii. [Ittner, C.D. \(2000\), Non-financial Measures: What works and What Doesn't. Knowledge@Wharton.](#)
- iv. [Neyland, J. \(2016\), Love or Money: The Effect of CEO Divorce on Firm Risk and Compensation. Antonin Scalia Law School, George Mason University Working Paper.](#)
- v. Suggested Material:
 - o [Weisbach, M. \(2017\), The Learning Approach to Corporate Governance. Financial Management Association International, 2017 Asia/Pacific Conference Keynote Address.](#)
 - o [Cavale, S. \(2014\), Peltz Blasts PepsiCo Again, Seeks Details on Operations, Strategy. Reuters March 13, 2014.](#)
 - o [Colvin, G. \(2012\), Indra Nooyi's Pepsi Challenge. Fortune.](#)
 - o [Colvin, G. \(2013\), Can Indra Nooyi Keep Investors Sweet on Pepsi? Fortune.](#)

➤ **Due: Final Project**

Session 7
(Dec 20)

Final Exam

Additional University Policies

Course Sharing Websites	Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).
Mobile Devices	The use of mobile devices IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry such a device to class, please make sure it is turned off. If an emergency situation requires you to keep it turned on, please discuss this with your instructor prior to class.
Group Work	<p>The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your instructor may assign one or more group tasks/assignments/projects in this course.</p> <p><i>Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one</i></p>
Persons with Disabilities	Students with disabilities requiring academic accommodations in this course are encouraged to contact a co-ordinator at the Paul Menton Centre for Students with Disabilities to complete the necessary letters of accommodation. After registering with the PMC, make an appointment to meet and discuss your needs with me at least two weeks prior to the first in-class test or ITV midterm exam. This is necessary in order to ensure sufficient time to make the necessary arrangements. Please refer to http://www.carleton.ca/pmc/ for all PMC information.
Religious Observance	<p>Students requesting academic accommodation on the basis of religious observance should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.</p> <p>Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton's Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.</p>

Additional University Policies Continued

Pregnancy

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete *a letter of accommodation*. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another’s ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at: <https://carleton.ca/registrar/academic-integrity/>.

MBA Program 2017-2018 Academic Year

MBA Skills Workshop: Wednesday, September 6 to Friday, September 8, 2017

Term	Activity	Start Date	Make Up Class	End Date
F1	Classes	Mon. Sept. 11	Fri. Oct. 13	Fri. Oct. 20
Fall	FALL BREAK WEEK	Mon. Oct. 23		Fri. Oct. 27
F1	Exam Week	Mon. Oct. 31		Fri. Nov 3
F2	Classes	Mon. Nov. 6		Fri. Dec. 15
F2	Exam Week	Mon. Dec. 18		Fri. Dec. 22
W1	Classes	Mon. Jan. 8		Fri. Feb. 16
Winter	WINTER BREAK WEEK	Mon. Feb. 19		Fri. Feb. 23
W1	Exam Week	Mon. Feb. 26		Fri. Mar. 2
W2	Classes	Mon. Mar. 5		Fri. Apr. 13
W2	Exam Week	Mon. Apr. 16		Fri. Apr. 20

Notes:

1. Exams and class schedules can vary for cross-listed courses and non-MBA courses in International Development Management and Business Analytics Concentrations and the Master in Economics - MBA Dual Degree.
2. Make-up classes may be held on Fridays.
3. Last revision to MBA Program information: April 28, 2017
4. Other **important university dates and deadlines** can be found at <https://calendar.carleton.ca/academicyear/>