



VANDERBILT UNIVERSITY®
OWEN GRADUATE SCHOOL OF MANAGEMENT

CORPORATE FINANCIAL POLICY

MGT 7733, 2021F

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Office hours: By appointment (Phone or Zoom)

Description

This course examines major policies and financial decisions of a corporation. The topics covered are corporate governance, executive compensation, capital structure, raising debt and equity capital, and payout policy. The course is a mix of lectures and case studies. The end of this syllabus provides the class schedule.

Objective

Our primary objective is to learn how to make value-creating financial policy decisions. We will develop and utilize analytical methods in order to enhance your understanding, confidence, skill, and sophistication in applying these tools to corporate finance. The course will be grounded in finance theory and extant empirical evidence, with a focus on contemporaneous issues.

Lectures

The lecture topics are listed in the class schedule. Some lectures have required readings, which may include licensed material for your sole educational purposes. Completing the assigned readings and reviewing the lecture slides prior to class will enhance your learning experience. I will post assigned readings, lecture slides, and any supplemental material on Brightspace in advance of each class. If you are unable to participate in the lecture, you must alert me prior to class.

Supplemental Lecture Material

For all lectures, I provide corresponding section or chapter numbers for optional background reading using the textbook, *Principles in Corporate Finance*, 12th or 13th ed., by Brealey, Myers, and Allen (BMA). The BMA textbook is a supplement to the lecture slides.

Class Participation

One component of your grade is class participation, which is based on your contribution to the classroom discussion. I encourage you all to be actively involved in our discussion and to question all of the material in a constructive way. To receive the highest grade, you will need to contribute to the dialogue by offering your unique analysis, perspective, synthesis, or evaluation of the material and its implications for making financial policy decisions. You must also demonstrate that you are prepared for each class if called upon.

Group Case Studies

There are three case studies integrated throughout the course to reinforce and clarify major topics. The cases and assigned questions are provided on Brightspace. Case studies will be completed as a group using your C-team. However, each student should be prepared to discuss the main case issues during our case classes.

Case Study Deliverables

Each C-team must submit a single set of answers to the case questions via a written memo of no more than 3 pages of text and up to 3 additional pages of supporting tables or graphs. The memo cannot exceed 6 pages total with reasonable font size and margins. You are welcome to use complete sentences or bullet points to summarize your answers. All case solutions should touch on the main issues, fully address the questions, describe any assumptions or data used to arrive at conclusions, and provide clear recommendations supported by a thorough analysis. No other material may be submitted (e.g., Excel files) and the memo must be self-contained (i.e., no links to external material).

Each group will submit one copy of the memo by 9:00PM CST on the Friday before the case class using the “Assignments” function in Brightspace. Failure to deliver materials in a timely manner will result in a grading penalty for the entire group. All solutions will be graded compared to your peers based on content, depth, and sophistication. I will discuss more about the expectations during our first weekend.

Grading Policy

The final course grade will be curved to ensure that the grade distribution conforms to Owen guidelines. The grades will be based on the following components:

Component	Percent of final grade
Individual class participation	15%
Group case deliverable x 3	45%
Individual final exam	40%

Honor Code

- *Case studies*: Some cases in this course may have been used before at Owen. Do not consult with students who have used these cases or use their notes, or other materials they developed in analyzing these cases. It is sometimes possible to find online “solutions.” Using any material from outside sources is prohibited. Evaluations and critiques found in books or news articles concerning the corporate actions described in these cases are not to be used in your case preparation. Public information available *prior* to the decision point in the case is permissible to use in your analysis. However, do not use public information *after* the decision point in the case.
- *Final exam*: The final exam will be an online individual exam administered in Brightspace. No verbal or written communication between students regarding questions or answers to the final exam are permitted during the exam. More details on the final exam will be provided at a later date.
- Consulting any material from previous sections of any course will be considered a violation of the honor code. In other words, only refer to the material that I make available during the course. I will treat the use of any prohibited information source or a departure from the above guidelines as a violation of the Owen Honor Code. Please communicate with me if you have any questions concerning the interpretation of the honor code as it applies to this course.

Class Schedule

- Class 1: Aug 13** **Boards of Directors and Corporate Governance**
Read: BMA Sec. 1-2 & Ch. 33
Optional read: Business Roundtable Statement
- Class 2: Aug 13** **Executive Compensation**
Read: BMA Ch. 12
Optional read: Decoding CEO Pay (HBR R1704E)
Assignment: Begin Case Study #1
- Class 3: Aug 28** **Corporate Governance Case Study**
Case Study #1: “Target Corporation: Ackman Versus the Board” 9-109-010
Deliverable: Submit group answers to case study questions
Memo Due: Friday, August 27 by 9:00PM CST
- Class 4: Aug 28** **Capital Structure**
Read: BMA Chs. 17, 18, & 19
Read: Using APV: A Better Tool for Valuing Operations
Optional: Watch “Valuation Brush-Up” video on Brightspace
Assignment: Begin Case Study #2
- Class 5: Sep 11** **Capital Structure Case Study**
Case Study #2: “California Pizza Kitchen” UV1203
Deliverable: Submit group answers to case study questions
Memo Due: Friday, September 10 by 9:00PM CST
- Class 6: Sep 11** **Debt and Equity Financing**
Read: BMA Chapters 24 & 32 (debt); Ch. 15 (equity)
Optional read: A Note on Bank Loans (HBS 9-291-026)
Optional read: IPO Issue Process: Before & After the JOBS Act (UV6744)
Assignment: Begin Case Study #3
- Class 7: Sep 25** **Debt Financing Case Study**
Case Study #3: The Loewen Group, Inc. (Abridged) (9-201-082)
Deliverable: Submit group answers to case study questions
Memo Due: Friday, September 24 by 9:00PM CST
Discuss final exam
- Class 8: Sep 25** **Payout Policy**
Read: BMA Ch. 16
Read: Limit Corporate Stock Buybacks (NYT article)
Read: The Case for Stock Buybacks (H03W5Z)
- Final: Oct 9** **Final Exam**
Individual final exam taken in Brightspace

This syllabus is subject to change and will be updated via Brightspace