

Principles of Corporate Finance – EBGN 345A

**Instructor:** Dr. Becky Lafrancois (Dr. L or Professor L)

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**Office Phone:** 303-384-2191

**Office Hours:** 8-9 AM Monday, Wednesday, Friday; 9:30-11:30AM Tuesday; or by appointment\*

\*You may schedule appointments outside of office hours through email.

**Class Meetings:** MWF 10:00-10:50

**Class Location:** Alderson Hall – Room 134

**Course Web Pages:** Canvas and McGraw Hill Connect (Integrated with Canvas)

**Instructional Activity:** 3 hours lecture

**Semester Hours:** 3

**Course Designation:** Economics and Business Elective

**Course Description**

The goal of financial managers is to maximize the value of the firm. This course will examine the investment and financing decisions faced by firms, with a focus on corporations. You will learn how to assess a company's financial strength and performance through financial statement analysis. Then you will learn how the firm estimates the appropriate rate of return for its potential investment projects and how firms evaluate different investment opportunities. You will then consider how a firm chooses to finance its operations and distribute earnings back to its ownership.

Prerequisites: EBGN201

**Required Materials**

**Textbook/ebook** – *Fundamentals of Corporate Finance 9<sup>th</sup> Edition* – Brealy, Myers, Marcus

**Online Portal for Homework** – *Connect for Fundamentals of Corporate Finance*

ISBN: 9781260796230

**To access Textbook and Homework:**

Register through Canvas

**Student Learning Outcomes**

At the end of the course, students will:

- Explain why the goal of the firm is value maximization
- Read and analyze financial statements
- Evaluate firm performance using financial ratios
- Discuss the relationship between risk and return
- Explain factors that lead to investment risk
- Use the capital asset pricing model to determine a firm's cost of equity
- Calculate the firm's weighted average cost of capital
- Evaluate a firm's investment options using Net Present Value and other investment criteria

- Explain why firms use cash flows rather than profits to evaluate investment opportunities
- Conduct a discounted cash flow analysis for a firm's investment opportunities
- Conduct sensitivity and project analysis for potential investments
- Explain the different sources of corporate financing and how those sources change over the firm's life cycle
- Explain how firms issue shares to the public
- Identify a firm's capital structure
- Explain how debt financing is related to increased investment risk
- Explain how a firm determines the optimal level of debt financing
- Explain how a firm determines its dividend policy
- Evaluate recent trends in dividend policy and share buybacks

**Topics Covered – additional detail in course calendar**

- Section 1: Introductory Materials
- Section 2: Assessing a Corporation's Financial Performance
- Section 3: The Firm's Investment Decisions
- Section 4: The Firm's Financing Decisions
- Section 5: The Firm's Payout Decisions

**Grading**

Your grade in this class will be based on your overall percent average, using the following guidelines:

A =	93-100%	B- =	80-82%	D+ =	66-69%
A- =	90-92%	C+ =	77-79%	D =	63-65%
B+ =	87-89%	C =	73-76%	D- =	60-62%
B =	83-86%	C- =	70-72%	F =	below 60%

These guidelines are subject to change, but if you score in the stated range you are guaranteed at least the corresponding grade.

Grades will be posted on Canvas. However, do not trust the Canvas grades page to give you an accurate reflection of your current course grade. If you ever need confirmation of your current course grade, please ask.

**Summary of Course Components and Grading**

Components:	<u>Option 1</u>	<u>Option 2</u>
1. Homework and Online Homework	10%	10%
2. In-class Exercises	10%	10%
3. Semester Project	40%	40%
4. Exams	40%	40% - LearnSmart
5. LearnSmart	<u>0%</u>	<u>up to 5%</u>
	100%	100%

**Grievance Procedure:** Anyone feeling that a dispute exists after the grading of any assignment or exam may submit a written grievance. The grievance should identify the item in dispute and arguments supporting the student's position. Grievances must be submitted in writing within two class periods following the return of the assignment or exam. I will return a written response within two class periods after receipt.

### **Grading Components**

#### **Homework Problems and Online Homework – 10% of final grade**

Most homework assignments will be conducted using the Connect online learning system. Due dates will be announced in class and posted on Canvas. There may be other homework assignments that are submitted in class or on Canvas.

#### **In-Class Problems – 10% of final grade**

A portion of class time will be devoted to working on problems individually or in groups. You will turn in these problems for credit. Credit will be given based on participation and correctness on a scale of 0 to 3, where:

- 0 = 0% -- no participation in assignment
- 1 = 50% -- minimal participation/correctness
- 2 = 85% -- good participation/correctness
- 3 = 100% -- excellent participation/correctness

#### **Semester Project – 40% of final grade**

The semester long project will require you and a partner to study a single company for the entire semester and apply many of the concepts that we study over the semester to that firm. There will be four separate due dates over the course of the semester. Grading will be based on instructor and peer evaluations.

*Project Due Dates: **September 21, October 12, November 2, November 30***

#### **Exams – 20% each – 40% of final grade**

Two exams will be conducted as part in-class and part take-home. The exams will be comprised of both multiple choice and short answer questions, mostly focused on problem solving and analysis of financial information. You will be allowed to bring a note sheet to each exam.

*Exam Dates (in-class portion): **October 5 and Our Exam Slot during Finals Week which is TBD***

#### **\* LearnSmart – 5% – optional**

LearnSmart is an adaptive learning resource that is designed to maximize productivity and efficiency in learning. It is combined with the SmartBook. I will post LearnSmart activities for most chapters. Each LearnSmart activity that you do will reduce the weight of your exams by 0.5 percent, up to a maximum of 5 percent. This is the only opportunity for “extra credit”.

### **Course Attendance Policy**

Please be familiar with the Attendance Policy for the Colorado School of Mines:

<http://inside.mines.edu/Student-Absences>

**Exams:** The dates of exams are indicated on this syllabus. Please mark your calendars early. I generally do not offer make-up exams, unless there are extenuating circumstances. These circumstances include documented illness, family emergencies, and business/athletic/school related trips. **Excused absences are required for make-up exams to be scheduled.**

**Lectures:** I expect students to regularly attend and participate in class. If you miss a lecture, it is your responsibility to get any notes and assignments from that class. It is up to you to master the subject matter of the course and to demonstrate the ability to use the tools covered at an acceptable skill level.

### **Late Coursework Policy**

Late assignments will not be accepted. Please plan accordingly to assure you complete your work by the stated due date and time.

### **Coursework Return Policy**

Homework assignments will be graded online and results will be made available immediately. Exams will be graded within one week and will be available for review in class.

### **Students with Disabilities**

The Colorado School of Mines is committed to ensuring the full participation of all students in its programs, including students with disabilities. Colorado School of Mines complies with all federal and state laws and regulations regarding discrimination, including the Americans with Disabilities Act of 1990. If you are registered with Disability Support Services (DSS) and I have received your letter of accommodations, please contact me at your earliest convenience so we can discuss your needs in this course. For questions or other inquiries regarding disabilities, I encourage you to visit [disabilities.mines.edu](http://disabilities.mines.edu) for more information.

If you have a disability and have not registered with Disability Support Services and need a reasonable accommodation for equal access to education or services at Colorado School of Mines, please contact the Disability Services Office at 1770 Elm St. – Wellness Center 205, by calling 303-384-2600, or emailing Marla Draper, [mdraper@mines.edu](mailto:mdraper@mines.edu). If you have a disability that could affect your performance in this class or that requires an accommodation under the Americans with Disabilities Act, please see me as soon as possible so that we can make appropriate arrangements.

### **Policy on Academic Integrity/Misconduct**

The Colorado School of Mines affirms the principle that all individuals associated with the Mines academic community have a responsibility for establishing, maintaining an fostering an understanding and appreciation for academic integrity. In broad terms, this implies protecting the environment of mutual trust within which scholarly exchange occurs, supporting the ability of the faculty to fairly and effectively evaluate every student's academic achievements, and giving credence to the university's

educational mission, its scholarly objectives and the substance of the degrees it awards. The protection of academic integrity requires there to be clear and consistent standards, as well as confrontation and sanctions when individuals violate those standards. The Colorado School of Mines desires an environment free of any and all forms of academic misconduct and expects students to act with integrity at all times.

Academic misconduct is the intentional act of fraud, in which an individual seeks to claim credit for the work and efforts of another without authorization, or uses unauthorized materials or fabricated information in any academic exercise. Student Academic Misconduct arises when a student violates the principle of academic integrity. Such behavior erodes mutual trust, distorts the fair evaluation of academic achievements, violates the ethical code of behavior upon which education and scholarship rest, and undermines the credibility of the university. Because of the serious institutional and individual ramifications, student misconduct arising from violations of academic integrity is not tolerated at Mines. If a student is found to have engaged in such misconduct sanctions such as change of a grade, loss of institutional privileges, or academic suspension or dismissal may be imposed.

- The complete policy is [online](#).

### **Discrimination and Harassment**

This course and all learning opportunities at Mines require a safe environment for everyone to be productive, develop professional practices, and to be able to share and learn without fear of discrimination or harassment. **Discrimination or harassment of any type will not be tolerated.**

Sometimes harassment is unintentional, but regardless of intent the instructor will address any language or behaviors that might discriminate, stereotype, or promote harassment. If you witness discrimination or harassment of others, please bring it to the attention of Mines faculty so it can be addressed immediately.

Title IX is a federal law that protects individuals from discrimination based on sex and gender in educational programs or activities. Mines takes its Title IX obligations seriously and is committed to providing a campus community free from gender-based discrimination. Gender-based discrimination, including sexual harassment, sexual violence, stalking, and domestic violence, is prohibited within the Mines campus community. If these issues have impacted you or someone you know, you can appropriate resources here: <http://inside.mines.edu/POGO-Title-IX>. You can also contact the Mines Title IX Coordinator, Karin Ranta-Curran, at 303.384.2558 or [krcurran@mines.edu](mailto:krcurran@mines.edu) for more information.

## Course Outline\*

Topics	Chapter
<b>Section 1: Introductory Materials</b>	
The Corporation and Corporate Governance	1
Introduction to Financial Institutions and Markets	2
<b>Section 2: Evaluating Corporate Performance</b>	
Introduction to Financial Statements	3
Measuring Corporate Performance	4
<b>Section 3: The Investment Decision</b>	
Introduction to Risk	11
Risk and Capital Budgeting	12
Estimating a Firm's Weighted Average Cost of Capital	13
Net Present Value and Other Investment Criteria	8
Cash Flow Analysis	9
Project Analysis	10
<b>Section 4: The Financing Decision</b>	
Overview of Corporate Financing	14
Venture Capital and the IPO Process	15
Capital Structure and Debt Policy	16
<b>Section 5: The Payout Decision</b>	
Dividend Payout Policy	17
<b>Section 6: Valuation (if time permits)</b>	
Corporate Valuation	3,19

\* Course content subject to change. All changes will be announced in class and online. It is your responsibility to keep up with posted announcements.