

MASTER SYLLABUS

FINC610: FINANCIAL POLICY AND VALUE CREATION

1. Course Details

Semester:	
Course Code:	FINC610
Course Name:	Financial Policy and Value Creation
Course Prerequisites:	FINC501
Course Co-requisites:	None
Credits Hours:	One and one-half (1.5) credit hours
Classroom:	
Class Timing:	(18.75 class hours)
Final Exam Period:	

2. Instructor Details

Professor:
Office Location:
Office Hours:
Email:
Course website:
Phone (Office):

3. Catalog Course Description

The course focuses on financial policy, corporate governance and value creation. Course content focuses on the use of financial analytic tools to manage the firm.

4. Course Overview

This course familiarizes students with applications of finance to financial policy, corporate governance, as well as mergers, acquisitions and divestitures. The modules in the course include:

A1. Financial Policy: This module focuses on capital structure with an emphasis on the optimal debt ratio for the value maximizing firm. Leases as a substitute for debt on the balance sheet are also considered within the context of capital structure. Dividend policy will be discussed as an

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important part of the financial policy of the firm. At the conclusion of the module students will demonstrate the ability to evaluate a firm's financial policy.

A2. Agency Theory and Corporate Governance : This module focuses on the corporate valuation model for valuing a firm's operating and non-operating assets. The corporate valuation model is used as the framework for evaluating a company's management practices from the standpoint of whether they maximize value. The degree to which a company's management practices enhance value is related to its corporate governance.

A3. Mergers, Acquisitions and Divestitures: This module focuses on mergers, acquisitions and divestitures as drivers of firm value. The focus of this module will be on empirical evidence concerning why firms merge. The focus will be on sources of value enhancement for value maximizing firms that engage in acquisition strategies or divest operations. Students will also learn about the analytic framework for setting the bid price for a merger.

5. Course-Level Learning Goals¹

(A) Invariant Learning Goals (In support of the MBA Programmatic Learning Goal(s)):

Upon the successful completion of this course, the student will be able to:

1. Conduct an analysis of a company's financial policies;
2. Demonstrate the ability to determine the value of a company based upon the corporate valuation model; and
3. Appraise synergies or lack thereof in a merger.

¹ A note on School of Management Course-Level Learning Goals: Learning goals are partitioned into those that are in support of the programmatic learning goals (Invariant), specific to the localized region of delivery (Contextualized), and specific to the domain expertise of the instructor (Instructor-Specific). The former two categories are required for all courses. Invariant "Assurance of Learning Validations" are specifically linked to the associated programmatic learning goal and objective, with course-level learning goals representing the programmatic goal as it applies to the context of the course. Learning goals that focus on knowledge acquisition (Bloom's Taxonomy) are not specifically or necessarily included into the course-level learning goals, although it is assumed that knowledge acquisition of all relevant business core fundamentals is addressed within each course. Examinations in class are used to provide feedback concerning knowledge and comprehension for the purpose of ensuring that students who have not mastered these will not advance through the curriculum. Attainment of knowledge within each core area is assessed by way of standalone testing of each student as a required part of the instructional program prior to graduation (e.g. ETS).

Assurance of Learning Validations (Linked to the MBA Programmatic Learning Goal(s))²:

- A1. Financial Policy Project: Students will be asked to select a public company with multi-national operation. Students will access **Compustat** for income statements and balance sheets of the selected company for the most recent five fiscal years. For each year, students will use Excel to compute the financial ratios for each year, including times interest earned (TIE), debt to assets ratio, dividend payout ratio and dividend yield. Students will also be asked to compute annual and average annual growth rates in earnings, earnings per share, dividends and dividends per share. At the conclusion of the module, students will submit a written report that compares financial ratios and growth of the chosen company with industry peers from around the world. Students will be asked to assess whether or not the financial policies enhanced shareholder value. For the purpose of assurance of learning, the Financial Policy Project will receive scores, based on:
- Score 1: The ability to conduct a financial ratio analysis in a manner that bridges the gap between finance and accounting theory and actual company practices in the global environment (MBA-2M);
 - Score 2: Demonstrate an understanding of how to interpret financial ratios (MBA-ACCT); and
 - Score 3: The ability to utilize technology, such as the Computstat database and Excel to compile appropriate data that allows comparisons of the selected company's financial condition with peer companies. (MBA-1M).
- A2. Corporate Valuation Model Team Project: Students will work in teams on one of the following cases from Textchoice, Cengage's online learning library: "Advanced Fuels Corporation", "Electro Technology Corporation" and "Maris Distributing Company". Based on the case assigned, student teams will be required to submit a report that includes an explanation of assumptions and methodology used to value the relevant company and includes all relevant calculations and data in an Excel spreadsheet that accompanies the written report as a means of validating proper application of the corporate valuation model to the case assigned.

The Corporate Valuation Model Team project will receive 4 scores, based on:

- Score 1: The ability of the students to work together as a team in order to do a case study. (MBA-1G);

² A note on School of Management Assurance of Learning Scoring: Scores form the metric for the degree to which the validation (e.g. learning outcome) satisfies the associated learning goal or objective. Assurance of learning validation descriptions identify the criteria for each score that is to be given. Scores are scaled using program or concentration rubrics. It must be noted that scores are to be differentiated from grades. Scores form a criterion from which an instructor will ascertain an overall grade for any instrument of assessment, and the overall assessment the student receives for an instrument is a "grade." A score is an extraction that specifically measures the degree of attainment of a learning goal and/or objective.

- b. Score 2: The ability to use appropriate data to conduct an industry and company analysis with the end result being the bridging of abstract valuation theory with real world practices (MBA-2M);
 - c. Score 3: The impact of the problem in the framework of organizational design and governance (MBA-MGMT);
 - d. Score 4: The appropriate technical analysis and solution using Excel as a decision support tool (MBA-1M); and
 - e. Score 5: Writing a clear and concise report that demonstrates the ability to apply the corporate valuation model (MBA-FINC).
- A3. Merger analysis: Students will work with materials provided by the instructor concerning the Sprint-Nextel merger in 2005. Students will be provided with copies of Sprint's Securities and Exchange Commission filings concerning the merger that were filed in December 2004. Students will conduct their own research using Sprint and Nextel financial statements and stock price data obtained from **Bloomberg**, **Compustat** and **Yahoo!Finance** to determine if within the context of the corporate valuation model, the merger synergies identified by Sprint when the merger was proposed justified sprint's bid price for Nextel. Students will also assess whether the merger helped the combined Sprint Nextel Corporation to enhance its stockholder value. Finally, students will provide assessment of Sprint's executive leadership with regard to whether the merger should have been undertaken.

The merger analysis will receive scores, based on:

- a. Score 1: Ability to conduct a business analysis of the telecommunications industry and the merging partners, with regards to whether merger theory is in alignment with the proposed merger (MBA-2M);
- b. Score 2: Assess the ability of Sprint to be an industry leader in the telecommunications industry following completion of the merger (MBA-3G);
- c. Score 3: Assess the ability of Sprint managers to understand the external economic environment in which the merger was being planned (MBA-ECON); and
- d. Score 4: Write a clear report that demonstrates core understanding of class material on mergers (MBA-FINC).

(B) Contextualized (Globalized) Learning Goal(s):

Upon the successful completion of this course, the student will be able to:

1. See Invariant Learning Goal 1 above.

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Assurance of Learning Validation (In support of the Contextualized (Globalized) Learning Goal(s)):
B1. See Assurance of Learning Validation A1, Score 1, above

(C) Instructor Specific Learning Goal(s) (Optional):

None

Assurance of Learning Validation (In support of the Instructor Specific Learning Goal(s)):
None

6. Teaching and Learning Methodology

The School of Management's teaching and learning strategy is informed by contemporary indicators/sources that derive from its target market, specifically the millennial generation. In particular, behavioral traits for this generation are identified and form the basis of emphasis for the schools' teaching and learning methodologies. These methodologies are reflected in the school's mission statement by way of its TEMPOS campaign³. In addition, teaching and learning strategies are informed by institutional indirect assessment results, periodically collected and reviewed by the Office of Planning and Assessment and the school's faculty⁴. Teaching and learning strategies are also externally referenced systematically (e.g., the Annual Stakeholder's Conference) through continuing consultations with non-board key stakeholder groups, including employers, business and community leaders, accreditation and ministerial agencies, alumni, students, peer institutions, and business and governmental agency representatives.

A component of all courses, as a part of the teaching and learning strategies, is to maintain academic rigor and to be intellectually challenging. This is validated in institutional survey results. However, School of Management faculty members utilize an overall collective portfolio of strategies/initiatives that obtain from the aforementioned sources in delineating those that are most appropriate or emphasized in the courses they lead.

In this course (FINC610), four (4) prioritized teaching and learning strategies focus on:

1. use of technology;
2. use of the web;
3. case-based learning; and
4. critical analysis of their work.

³ Teaching and Learning Strategies: "TEMPOS and the Millennials," revised September 2008.

⁴ E.g., Student Survey on Teaching Quality – Quantitative Data: School of Management.

All faculty members that instruct this course should consider how to execute the course to emphasize these key components of the strategies considered. Following a review of learning outcomes, faculty members consider how re-orientation of teaching and learning strategies might result in strengthening these outcomes, and adjustments are made, accordingly. Faculty members also consider how the School of Management Triple Platforms of Excellence (Professional Enrichment, Experiential Education, and Student Advancement) might be leveraged as a part of this strategy, and provide recommendations to the Directors of those platforms. The school also reviews the distribution of identified teaching and learning strategies periodically to ensure comprehension and the integration of each (from the designated list of approximately 20-25 strategies) within the curriculum. Finally, results from student teaching evaluations also provide indications of how various teaching and learning strategies are integrated into the course delivery. The following issues (indicator number is provided) are among those in the evaluations that bear on this review and analysis:

- 7. The amount of work in this course was appropriate.
- 15. The instructor was available for course related consultation and advice.
- 17. The instructor assigned challenging course work.
- 18. The instructor graded and returned student work and exams promptly.
- 19. The instructor provided helpful, constructive feedback on assignments and course work.
- 20. The instructor respected cultural differences and diversity among students.
- 21. The instructor incorporated information technology (e.g. computer or the Internet) in the course.
- 25. The instructor challenged me to think.

Along with teaching and learning strategies, the notion of student effort/time on task is also considered, although it is not necessarily driven by metrics. It is noted that the notion of student effort, specifically metric driven, is not a universally adopted approach⁵. However, if an instance occurs where student learning outcomes do not meet targeted academic standards, the School of Management utilizes indirect inputs in this area to explore the interdependencies between factors including the amount of work required in the course, the degree of challenge in the coursework, and level of critical analysis, among others⁶.

⁵ See the Victorian TAFE Association Response – Strengthening the AQF: Proposal, June 2009. East Melbourne, Victoria, Australia, retrieved from http://www.vta.vic.edu.au/docs/PositionDiscussion%20Papers/VTA_Response_Strengthening_the_AQF.pdf on February 22, 2010.

⁶ Sample data regularly collected through the New York Institute of Technology Student Rating of Courses/Teaching Form.

7. Required Resource(s)

Brigham, E., and Ehrhardt, M. (2008). *Financial Management: Theory and Practice*. 12th Edition. Cengage ISBN-13: 978-0-324-64908-6. Customized textbook consisting of Chapters 15-20, 25.

8. Reference Resource(s)

Ross, S.; Westerfield, R., and Jaffe, J. (2010). *Corporate Finance*. 9th Edition. McGraw-Hill. ISBN-13: 978-0-077-33762-9.

9. Assessment Methodology and Grading Guidelines

Instrument	Points (i.e. weights)
Final Exam	150 points
Financial Policy Project (see A1)	50 points
Agency Theory and Corporate Governance Case project (see A2)	50 points
Analysis of Sprint-Nextel Merger (see A3)	50 points
TOTAL	300 points

10. Grading Guidelines: The final grade for the course will be calculated using the relevant grading scale:
N/A

11. Attendance Policy: Students are expected to attend every class session. Instructors will inform students of the exact number of absences and late-arrivals permitted during the semester. Students who exceed these limits may be subject to failure. If a student misses any class or test, the instructor has the right to either grant or deny an opportunity to make up the work that was missed. In such cases, the instructor shall be the sole judge of the validity of a student's explanation for having missed the class or test.

12. Deductions for Late Arrival, Early Departure, and Unexcused Absences:

13. Policy for Make-Up Assignments or Quizzes:

14. Classroom Behavior: Behavior that disrupts, impairs, interferes with, or obstructs the orderly conduct, processes, and functions within an academic classroom or laboratory violates the student code of conduct and may result in disciplinary action. This includes interfering with the academic mission of NYIT or individual classroom or interfering with a faculty member's or instructor's role to carry out the

normal academic or educational functions of their classroom or laboratory, including teaching and research.

15. Students with Physical or Educational Challenges:

- It is the policy of New York Institute of Technology to provide reasonable accommodations for students who are otherwise qualified but have disabilities, including learning disabilities, health impairments, and other disabling conditions. Possible accommodations include, but are not limited to, test schedule modifications, class relocation, and possible assistance in acquisition of necessary equipment.
- The college has an interest in helping students with disabilities to be competitive in this academic environment. Therefore, reasonable accommodations will be made upon proof both of disability and need for the accommodations. It must be understood that accommodations are meant to facilitate educational opportunities. Admission to NYIT and accommodations do not guarantee success. Therefore, in addition to accommodations, the college encourages utilization of auxiliary services available to all students to maximize opportunities for success. Students whose disabilities may require some type of accommodation must complete a request for accommodations form and an intake interview with their campus services coordinator prior to the academic semester. Accommodations maybe requested at any time during the semester; however, accommodations cannot be applied to past failures, only to future academic endeavors. Appropriate modifications of accommodations will be worked out on a case-by-case basis and will not necessarily incorporate all requested changes.
- Students for whom auxiliary services—such as readers, interpreters, note takers, etc.—have been approved should arrange these with their campus services coordinator. In addition to discussing appropriate educational modifications, the campus services coordinator will serve as a liaison with other college faculty and administration on behalf of students with disabilities.

16. Academic Integrity:

- Each student enrolled in a course at NYIT agrees that, by taking such course, he or she consents to the submission of all required papers for textual similarity review to any commercial service engaged by NYIT to detect plagiarism. Each student also agrees that all papers submitted to any such service may be included as source documents in the service's database, solely for the purpose of detecting plagiarism of such papers.
- Plagiarism is the appropriation of all or part of someone else's works (such as but not limited to writing, coding, programs, images, etc.) and offering it as one's own. Cheating is using false pretenses, tricks, devices, artifices or deception to obtain credit on an examination or in a college course. If a faculty member determines that a student has committed academic dishonesty by

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plagiarism, cheating or in any other manner, the faculty has the academic right to 1) fail the student for the paper, assignment, project and/or exam, and/or 2) fail the student for the course and/or 3) bring the student up on disciplinary charges, pursuant to Article VI, Academic Conduct Proceedings, of the Student Code of Conduct. The complete Academic Integrity Policy may be found on various NYIT Webpages, including:

<http://www.nyit.edu/images/uploads/academics/AcademicIntegrityPolicy.pdf>.

17. 8 Week Topical Class Schedule

Week	Topic	Readings
Wk 1	Financial Policy	Chapters 16-18, 20
Wk 2	Financial Policy (students must submit proposal indicating company that will be chosen for Assignment A-1)	
Wk 3	Financial Policy	
Wk 4	Corporate governance and value creation	Chapter 15
Wk 5	Corporate governance and value creation. Assignment A-1 due	
Wk 6	Mergers/acquisitions/divestitures	Chapter 25
Wk 7	Mergers/acquisitions/divestitures Assignment A-2 due.	
Wk 8	Final Exam. Assignment A-3 due	

18. Using the NYIT Library

All students can access the NYIT virtual library from both on and off campus at www.nyit.edu/library. The same login you use to access NYIT e-mail and NYITConnect will also give you access to the library's resources from off campus.

On the left side of the library's home page, you will find the "Library Catalog" and the "Find Journals" sections. In the middle of the home page you will find "Research Guides;" select "Video Tutorials" to find information on using the library's resources and doing research.

Should you have any questions, please look under "Library Services" to submit a web-based "Ask-A-Librarian" form.

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