BFIN 435.01: Corporate Finance

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University of Montana

BFIN 435: CORPORATE FINANCE – SPRING 2024

Instructor: Dr. Robert Sonora
Room: GBB – Room L11, MW 0800 – 0920
Office: Gallagher Business 327
Office hours: Monday 0930-1100 and by appointment

Office Hours

I will hold office hours immediately after class. If that doesn’t work, we can do so by appointment, use email or talk after class to arrange, either in person, COVID permitting, or via Zoom.

College of Business Mission Statement and Assurance of Learning

The College of Business creates transformative, integrated, and student-centric learning experiences, propelling our students to make immediate and sustained impact on business and society. We nurture our students innate work ethic to develop confident problem solvers and ethical decision makers. We pursue thought leadership and collectively create opportunities for a better life for our students, faculty, and staff.

COB Core Values:

- Students first: We educate the whole person
- Experiential learning: We create experiences that matter
- Thought leadership: WE create rigorous and relevant knowledge
- Stewardship: We value people, planet, and profit

Learning Goals: As part of our assessment process and assurance-of-learning standards, the COB has adopted the following learning goals for our undergraduate students, COB graduates will:

Learning Goal 1: possess fundamental business knowledge in the core disciplines of Accounting, Finance, Management Information Systems, Management and Marketing.

Learning Goal 2: be able to integrate business knowledge.

Learning Goal 3: be effective communicators.

Learning Goal 4: possess problem-solving skills.

Course description

This course expands on the financial management tools introduced in BFIN 322. The course examines both financial management theory and application financial tools in corporate financial management decisions. The course expands on the time value of money tools introduced in BFIN 322, and applies them to strategic finance decisions. The course has a heavy emphasis on corporate valuation and the impact of strategic financial decision on corporate valuation. The course covers cash flow analysis,
financial planning, capital budgeting, capital structure decisions, corporate distribution policies, and the decision to raise funding.

The course will lean heavily on spreadsheet modeling. A flipped course design means that much of class time will be spent working in small groups analyzing problems. Generally speaking, I will be introducing the material on Monday and you will be working on problems from the text on Wednesday.

In Finance we concentrate a great deal on the quantitative analysis surrounding business decisions; however, the true value of finance comes from how you use this analysis. Readings and modeling emphasize financial theory and problem solving, but even more important is the interpretation, conclusions and recommendations that come from your analysis. By becoming more proficient in analyzing data you will be able to spend more time developing conclusions and recommendations.

**Learning Outcomes**

After this course, students will . . .

1. Create pro forma financial statements, analyze pro forma cash flows, and estimate a firm’s additional financing needs.
2. Estimate a firm’s weighted average cost of capital, and use it to evaluate a firm’s capital budgeting decisions.
3. Describe and contrast six ways of making capital budgeting decisions. Apply to a case study.
4. Explain the major theories of capital structure and analyze the appropriateness of a firm’s capital structure choices.
5. Describe a firm’s distribution policy and analyze its appropriateness.
6. Perform valuations on companies using free cash flow valuation models, adjusted present value models, free cash flow to equity models, and basic multiples valuation models.
7. Apply basic valuation tools in evaluating a simple merger opportunity, and will be able to assess the potential impact an acquisition would have on firm value.

**Required textbooks & technology**

**Text** We are using Ross et.al. *Corporate Finance*, 13th Edition, McGraw Hill with Connect. UM’s contract with MHE is in a state of flux, no longer has an agreement with MHE, so you have to go directly to this webpage to get access to the text and online stuff:

[Click here for Connect](#)

**Computer** Lap Top Computer with Access to the Office Suite: We have implemented a laptop requirement in all 300, and 400 level Business classes. It is important that you bring your “charged” computer to class as we will be using Excel frequently.

**Other sources**

This class will frequently use the “ocular estimator” using data from the St. Louis Fed’s excellent FRED data webpage. We will also be looking at other types of financial information and data available from various sources, such as the FDIC, Yahoo! Finance and the CME Group. Students also will be expected
to follow relevant political, economic, and financial market developments on a regular basis. For example, what are the impacts of FED policy on lending markets.

While this course will largely draw from the textbook above, some of you may find it useful to refresh yourself on the fundamentals of macroeconomics. This text can enhance your quality of understanding of the information presented throughout the course: *Principles of Macroeconomics*, free from OPENSTAX Access – In particular, Chapters 14 and 15.

**Grading**

**Exams**

There will be 3 Exams taken via Connect over the course of the year. Each exam will only cover the chapters previously covered, either 3 or 4. Exams will be timed.

**Reading check**

Each week you will have a reading “SmartBook” mini-quiz. They will made available on Friday or the class the following week and will be due every Wednesday before class (8am). Make sure you complete them before class Thursday morning as when I lecture I will assume you have already read the chapter and have gist of the topics discussed. I will accept late SmartBook exercises for two days, but at a penalty of 5% per day. If you do them on time you get one point, one day late 0.95 points, etc. 0 points for exercises you don’t complete.

**Quizzes**

Quizzes will be available Wednesday 12pm and are due Friday at 5pm, please give yourself sufficient time to complete these. I will give you extra 2 days to take the quiz, but, as with the Reading checks, at a 5% per day penalty.

**In class presentation**

Class presentations will be done the last 2 weeks of classes. Each presentation should be roughly 12-15 minutes long and done by pairs of students. Details will be forthcoming the week before Spring break.

**Grade distribution**

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Grade weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly online quizzes</td>
<td>20%</td>
</tr>
<tr>
<td>SmartBook reading exercises</td>
<td>10%</td>
</tr>
<tr>
<td>Class presentation</td>
<td>10%</td>
</tr>
<tr>
<td>Exam 1</td>
<td>20%</td>
</tr>
<tr>
<td>Exam 2</td>
<td>20%</td>
</tr>
<tr>
<td>Exam 3</td>
<td>20%</td>
</tr>
</tbody>
</table>
I grade on a slightly different distribution than the standard 90/80/70/... A/B/C/... scale. Historically, generally speaking the grade distribution has been:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/A–</td>
<td>≥ 85</td>
</tr>
<tr>
<td>B+/B/B–</td>
<td>84 – 75</td>
</tr>
<tr>
<td>C+/C/C–</td>
<td>74 – 65</td>
</tr>
<tr>
<td>etc</td>
<td></td>
</tr>
</tbody>
</table>

This is generally how grades shake out, give or take a few points. As such, this distribution is not fixed and depends on how students perform over the semester.

Extra credit

There is enough credit available simply by doing the required classwork, none will be on offer.

Formula for Success

- Read the Materials ahead of class
- Come to every class, everything is testable materiel
- Reading is not studying
- The best day to start studying for class work is today

Other

Instructional philosophy

My My role will be to act as a facilitator to learning. I will provide opportunity, structure and direction to facilitate your learning of fundamental concepts centered on the concepts of financial management.

Yours Your role is to engage in active learning and participation. You will learn and apply important financial concepts while you gain experience. Your success in this class and beyond will depend on both your effort and performance.

Student Conduct Code

Professionalism and common courtesy are expected and students who are disruptive may be asked to leave. If you have questions as to proper classroom behavior, please ask the instructor.

The Student Conduct Code at the University of Montana embodies and promotes honesty, integrity, accountability, rights, and responsibilities associated with constructive citizenship in our academic community. This Code describes expected standards of behavior for all students, including academic conduct and general conduct, and it outlines students’ rights, responsibilities, and the campus processes for adjudicating alleged violations.

All students must practice academic honesty. Academic misconduct is subject to an academic penalty by the course instructor and/or a disciplinary sanction by the University. All students are expected to understand their rights and responsibilities provided under the Student Conduct Code.

While we often stress the importance of multi-tasking in the work place, in the classroom it’s best to have your full attention focused on the task at hand. Cell phones are to be turned off when entering the classroom. No texting during class. If I see your cell phone out or it rings out loud, you will be asked to leave the classroom.
Attendance

Students are expected to attend all class meetings and complete all assignments. Much of this class will be conducted in small groups, so missing classes will not only negatively impact your learning, but others in the classroom. Students are responsible for anything, literally, discussed during class. Absences related to participation in a University sponsored activity will be excused as long as proper notification is provided (University sponsored activities include for example, field trips, ASUM service, music or drama performances, and intercollegiate athletics.). Excused absences also include military service or mandatory public service.

Email

According to University policy, faculty may only communicate with students regarding academic issues via official UM email accounts. Accordingly, students must use their GrizMail accounts (netid@grizmail.umt.edu or fname.lname@umontana.edu). Email from non-UM accounts will likely be flagged as spam and deleted without further response. To avoid violating the Family Educational Rights and Privacy Act, confidential information (including grades and course performance) will not be discussed via phone or email.

Course withdrawal and other important dates

Use this link for a list of official Dates and Deadlines for 2024 Spring Semester. Responsibility is upon the students to know the dates for withdrawal and other relevant registration issues.

Other

COVID

For the most up-to-date COVID info see COVID-19 Information
- If you feel sick and/or are exhibiting COVID symptoms, please don’t come to class and contact the Curry Health Center at (406) 243-4330.
- If you are required to isolate or quarantine, you will receive support in the class to ensure continued academic progress. Please let me know ASAP and I will conduct a class via zoom to the best of my ability. NB: I will not “automatically” use Zoom in the classroom.
- UM recommends students get the COVID vaccine and booster. Please direct your questions or concerns about vaccines to the Curry Health Center.
- If the situation warrants, we will move classes to Zoom.

Disability modifications

The University of Montana assures equal access to instruction through collaboration between students with disabilities, instructors, and Disability Services for Students. If you think you may have a disability adversely affecting your academic performance, and you have not already registered with Disability Services, please contact Disability Services in Lommasson Center 154 or call 406.243.2243. I will work with you and Disability Services to provide an appropriate modification.

Your Well-Being Matters:

At UM, we value every students well being and believe that taking care of yourself is imperative to your success as a student. College students often experience issues that may interfere with academic success such as academic stress, sleep problems, juggling responsibilities, life events, relationship concerns, or feelings of anxiety, hopelessness, or depression. If you or a friend is struggling, we strongly encourage seeking support. Helpful, effective resources are available on campus.
- If you are struggling with this class, please visit during office hours or contact me by email
- Check-in with your academic advisor if you are struggling in multiple classes, unsure whether you are making the most of your time at the University of Montana
• Reach out to the COB Well-Being Coordinator housed in the Gianchetta Student Success Center. To contact call (406) 243-6790, or e-mail: gsscwellness@mso.umt.edu
• Reach out for Counseling Support at Curry Health Center Counseling. To make a counseling appointment call (406) 243-4712 or go online to the Curry Health Portal to schedule an appointment
• If you feel you need accommodations for a mental health concern, reach out to the Office of Disability Equity (ODE) at (406) 243-2243
• If you feel that you would benefit from general wellness skills to support your overall stress reach out to CHC-Wellness at (406) 243-2809
• If you have experienced sexual assault, relationship violence, bullying, intimidation, or discrimination contact the Student Advocacy Resource Center (SARC) (406) 243-4429 *24/7 support line (406) 243-6559
• If you are experiencing a mental health crisis and seeking immediate help, call 911, go to the nearest hospital emergency room or call Campus Safety at (406) 243-4000

Other Resources:
• 24/7 Student Advocacy Resource Center Crisis Line (SARC) (406) 243-6559
• 24/7 National Suicide Prevention Lifeline/Crisis counseling call 988
• 24/7 Community Resource line, text 211 or go to: https://montana211.org/
• National Crisis Text line, text “HOME” to 741741
• LGBTQIA2S+ Students, text “START” to 678678
• Students of color, text “STEVE” to 741741
• The Strong Hearts Native Helpline: (844) 762-8483
• 24/7 Trevor Lifeline – for LGTBQIA2S+ folks in Crisis: (866) 488-7386, https://www.thetrevorproject.org/