

California State University, Fullerton, Spring 2011

**Finance 332: Theory of Corporate Finance**

Instructor: Dr. Blaine Walgren  
Office: SGMH 5140  
Phone: (714)278-2709  
Email: [bwalgren@fullerton.edu](mailto:bwalgren@fullerton.edu)  
Department Office: SGMH 5113  
Department Phone: (714)278-2217  
Office Hours: MW 5:00-5:30, TR 11:15-12:15, R (Irvine campus) 6:00-7:00

**Prerequisites:** Finance 320 and classified SBAE status. If you have not satisfied these requirements you are unqualified for this class and you must drop immediately, following the usual procedure. Unqualified students may be dropped at any time by administrative audit.

**Description:** The primary objective of this course is to familiarize you with the theoretical concepts and methods of contemporary financial decision making. You will learn about issues that are important to the firm including the decision to issue securities, valuation, investment decisions and dividend policy. Important subjects that will be covered include risk and return analysis, capital asset pricing models, capital budgeting, capital structure, dividend policy, financial statement analysis, valuation of the firm, and financial planning. A combination of lecture, discussion and problem solution method of teaching will be used to investigate these topics. The understanding you develop in this course should assist you in analyzing a firm's financing needs and investment opportunities, and it will provide a foundation for further study in finance.

**Required Text:** Intermediate Financial management, 9<sup>th</sup> Edition, Brigham and Daves.

**Calculator:** It is assumed that you will have and be able to use a financial calculator and PC spreadsheet program as needed for the types of analysis the class will undertake. The Texas Instruments BAII Plus or Hewlett Packard 10B are examples of inexpensive calculators which will serve this purpose. Spreadsheets such as **Excel** and Lotus 123 are available for your use in the computer lab.

**Recommended Reading:**

1. Study Guide, written to accompany Brigham and Daves.
2. The Wall Street Journal. Daily reading of the Wall Street Journal can make a tremendous contribution to your understanding of the financial environment of business, and particular articles may be discussed in class.

**Academic Dishonesty: The Department of Finance requires that students engaging in academic dishonesty receive a grade of F. In addition, Department policy requires that all individuals engaging in academic dishonesty be reported to the Vice President, Student Affairs.**

Academic dishonesty takes place whenever a student attempts to take credit for work that is not his/her own or violates test-taking rules. Examples of academic dishonesty during test taking include looking at other students' work, passing answers among students or using unauthorized notes. When students sitting next to each other have identical answers, especially the same mistakes, this may indicate academic dishonesty. Examples of academic dishonesty on out-of-class projects include submitting the work of others or quoting directly from published material without footnoting the source. If you have any questions about proper use of outside sources, please consult with your professor.

### Evaluation Procedure:

Midterms(2)	55%
Final Exam	30%
Cases/Homework	15%

I will guarantee that scores of 90% and above=A, 80%=B, 70%=C, 60%=D, and I will apply a curve if necessary to raise the average grade on a test to at least a C. The class will use the +/- grading system.

Responses to all tests will be on scantron forms. Attention to the following points will prevent potential problems with respect to scoring of scantrons:

1. Mark your answers using a #2 pencil. Erase and remark your answers at your own risk! The grading machine is very sensitive and may misread erasures, and I will not check or alter responses for erasures; that is your responsibility. Buy a very soft eraser if you are going to change answers.
2. **If you forget to write in an answer, or the machine scores it incorrectly because of an erasure or other reason, your score stands as is, exactly like on the SAT! I will not re-grade forms.** Be careful and you will have no trouble. Suggestion: write your answers on a piece of paper or to the right of the provided space on the exam. Once you are satisfied with your answers, transpose them to the scantron and double-check them for accuracy before turning them in.

**Test Makeup's:** There are absolutely no makeup exams. If you miss one midterm, I will substitute the average of your other exam scores minus a ten- percent penalty. If you miss a second midterm you will receive a grade for that test of zero.

**Test Notes:** All tests are open notes (with page limits of one page on one side unless otherwise announced) but closed book. Only your own **HANDWRITTEN** notes are acceptable, Xerox copies or notes prepared using a computer are not allowed. In addition, you may only use your own calculator, sharing while taking a test will not be allowed.

**Withdrawal Policy:** The university withdrawal policy as outlined in the Schedule of Classes will be strictly adhered to. It is your responsibility to familiarize yourself with the deadline dates listed in the Schedule.

## Tentative Course Outline

<u>Week</u>	<u>Topic</u>	<u>Reading</u>
1	Introduction	Ch 1
2	Risk and Return	Ch 2,3
3	Bond Valuation	Ch 4
4	Stock Valuation, Financial Options	Ch 5,6
5	Cost of Capital	Ch 10
6	<b>Midterm 1</b>	
7	Capital Budgeting	Ch 12
8	Project Cash Flow, Risk Analysis, Real Options	Ch 13, 14
9	Capital Structure	Ch 15, 16
10	Dividend Policy	Ch 17
11	<b>Midterm 2</b>	
12	Firm Valuation	Ch 11
13	Financial Statement Analysis	Ch 8
14	Long Term Financial Planning	Ch 7, 9
15	TBA	

Final examination occurs at the date and time given in the official CSUF final exam schedule for Spring 2011. **You must take the final at the officially scheduled time, no exceptions.**