

UNIVERSITY OF FLORIDA
College of Business Administration
DEPARTMENT OF FINANCE

Finance 6429, Module 3, 2009
Financial Decision-making
Stuzin 104
Mon Wed 11:45am and 1:40pm

Professor Jay R. Ritter
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Office Hours:

I will be in my office on Monday-Friday from 7:00am-5:45pm with a high probability, except at lunchtime and when teaching on Monday and Wednesday. I generally reply to e-mail promptly.

Course Objectives and Scope:

The purpose of this course is to develop an understanding of modern corporate finance so that the corporate manager will have the conceptual foundations for making intelligent corporate financial decisions. The emphasis of this course is on financing, especially equity financing and risk management. The course begins with an analysis of the cost of capital and capital structure. Attention is focused on raising external capital, especially for publicly traded firms. Option pricing theory is then covered and applied to the valuation of convertible bonds. The lease versus buy decision is analyzed. Risk management issues are also discussed, with a focus on the current financial crisis. Throughout the course theoretical analysis will be integrated with evaluation of the empirical evidence and analysis of specific examples (mainly cases).

Each program at the Warrington College of Business Administration has developed goals and objectives that express the most valued skills and knowledge that students should be able to demonstrate upon completion of the total learning experiences in that program. The following goals and objectives are specifically mapped to FIN6429. The **MSF** program goals and objectives that apply to this course are: Goal 1: Our graduates will be technically competent in their area of specialization in finance: Equities and Portfolio Management, Fixed Income, Corporate Finance or Real Estate Finance. Goal 2: Students will be prepared to apply appropriate financial theory and technique as analysts in the Corporate Finance field.

Readings:

A packet will be available at Target Copy on University Avenue that contains a collection of problem sets, cases, and journal articles that will be used. Chapters are also assigned from Brigham and Ehrhardt's *Financial Management* (11th edition). Students should make every effort to read assigned materials prior to the class discussion. Many of the chapters in BE were covered in Finance 5439, but we will go into more depth.

Assignments:

Six problem sets will be assigned and graded. These should be done in groups of 3 or 4 students, and handed in as a group. Many of these involve cases. Class participation will be counted in the grading.

Grading:

Course grades will be based upon a comprehensive final exam (60%), class participation (10%), and group problem sets and cases (30%).

Course Outline - Finance 6429

Jan. 5 Capital Structure Decisions
Monday

Brigham and Ehrhardt, Chapter 17

Jan. 7 The Cost of Capital and Corporate Financing Decisions
Wednesday

Brigham and Ehrhardt, Chapter 9

Jeremy Siegel, "Perspectives on the Equity Risk Premium" *Financial Analysts Journal* Vol. 61, No. 6 (Nov/Dec 2005), pp. 61-73.

Jan. 12 Capital Structure Decisions
Monday

Stewart Myers "Still Searching for Optimal Capital Structure" *Journal of Applied Corporate Finance* (Spring 1993)

Assignment #1 due (cost of capital questions)

Jan. 14 Securities Issues: Follow-on Equity Offerings
Wednesday

Brigham, Gapenski, and Ehrhardt, Chapter 19

Jan. 21 Option Pricing
Wednesday

Assignment #2 due (capital structure questions)

Jan. 26 Market Timing and Behavioral Finance
Monday

Brigham and Ehrhardt, Chapter 8

Assignment #3 due (option pricing)

Jan. 28 Risk Management
Wednesday

Brigham and Ehrhardt, Chapter 23

Kenneth Froot, David Sharfstein, and Jeremy Stein "A Framework for Risk Management" *Journal of Applied Corporate Finance* (Fall 1994)

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Feb. 2 The Demise of Bear Stearns

Monday

Assignment #4 due (Bear Stearns case)

Feb. 4 Convertibles and Warrants

Wednesday

Brigham and Ehrhardt, Chapter 21

Feb. 9 Leasing

Monday

Brigham and Ehrhardt, Chapter 20

Assignment #5 due (Cypress Semiconductor case)

Feb. 11 Transparency and Managing Expectations

Wednesday

Feb. 16 Private vs Public Financing: PIPES

Monday

Assignment #6 due (leasing case, to be handed out)

Feb. 18 Payout Policy

Wednesday

Brigham, Gapenski, and Ehrhardt, Chapter 18

Feb. 23 Final Exam

Monday

Section 7805 11:45-1:40pm

Section 8134 1:55-3:40pm