Course Topics and Goals

This course uses intensive analysis of case studies to develop your ability to make financial decisions. The topics run the gamut of corporate financial decisions, including performance evaluation, working capital management, dividend policy, capital structure policy, use and valuation of derivatives, mergers and acquisitions and restructuring. Some new material will be covered, but much of the course involves applying and integrating ideas the student has learned in earlier courses, leading to a deeper understanding and appreciation of the value and limitations of the theory of finance. Students will use excel with each case study to analyze financial statements, company performance, valuation, etc.

Prerequisites

The prerequisite for MGT/ MGP 260 is MGT / MGP 205.

Reading material

Higgins “Analysis for Financial Management”

Ross, Westerfield and Jaffe “Corporate Finance” I assume that you have this text from MGT 205.
Teams

During the first week of class students will form teams of 4 or 5 members. Each case will be analyzed by the team and the final project is also a team project. Formation of teams will be left to your discretion.

Teams are to work independently on the cases. In class, team members should sit in adjacent seats to facilitate discussion and to help me learn the teams.

You will have the opportunity to assess the other members in your team – this is part of your grade (see details below)

Class preparation

Thorough preparation – by students and instructor – and active participation are essential to a successful case course. Learning comes from struggling with the issues outside of class then discussing the conclusions (and the struggle) in class. Unprepared students personally miss out on most of the learning and also cheat their classmates because they cannot contribute fully to the learning that occurs in class.

You will be given some study questions to help guide your analysis of each case. These questions are not designed to be comprehensive and I encourage you to explore relevant issues beyond the questions in the guidelines. Depending on how the class discussion unfolds, we may talk about some of the study questions but not others. At a minimum, each team should address the study questions prior to class, and each student in the group should understand the team’s analysis and decisions.

Virtually every case requires an “answer” or a decision and you should arrive in class prepared to explain and defend your decision. It is unacceptable to arrive in class without having made a decision. Although you will not have perfect information from the case, you should base your decision on the information available and (if you wish) state additional information you would like to have and how you would use it.

To encourage preparation and to facilitate class discussion students will be called on in class to share their insights.
Attendance

Students are expected to attend class. This is more important in a case oriented course than in a lecture-oriented course. To a significant extent the value you get from the course depends on your presence in class and your classmates’ opportunities to learn from your insights depend on your presence in class.

Grading

Final grades will be made up of a team component (60%) and an individual component (40%).

The team score is the final project (30%) and written case analyses (30%).

The individual score has two parts: peer review (20%) and contributions in class (20%).

Written Case Analyses

Three cases will require a thorough written analysis due at the beginning of class. Your analysis should cover the questions raised in the guidelines as well as any other issues relevant to the decision. Please do not treat the discussion questions as a grocery list to be addressed item by item, rather provide an integrated discussion of the situation and your recommendations.

Each team must hand in written analyses of 3 cases (the specific cases are highlighted in the timetable) These must be group work (12 point, single-spaced, at least one inch margins, all exhibits clearly labeled). Expected length is 3-5 pages of text.
Final Project

The final project will be an analysis of a company of your choice that is undergoing an event of interest (for example: merger, restructure, debt issue, dividend change, bankruptcy), or if you prefer, a company that you believe will be facing one of these issues in the future. The project is to be between 10 – 15 pages of text, with accompanying exhibits as additional pages.

Teams are required to submit the name of the firm they are analyzing in the second week of class, and an interim report at week 7. Teams will present their project to the class in week 10, as well as hand in a report to me.

Guidelines for Project

The project topic is a firm of your choice that has an interesting “event” to study. Examples are: firms in bankruptcy, firms in mergers, firms in break-ups, or firms heading towards bankruptcy, merging or breaking-up.

You should analyze:

• Brief history of the firm(s)
• Brief description of the main personalities
• Industry description
• What precipitated the event – industry effects, or firm specific effects, or regulatory effects
• Supporting evidence from the financials – some ratio analysis of the firm – time series, and if possible compare to some peers. (at least two years of annual data)
• The details of the event – timing, procedure, pricing of merger deal – what is the value of the target based on your forecasts, and based on the price paid? What residual value exists in a firm in bankruptcy – should it be sold off, scrapped or reorganized?
• What has happened since? If you are not analyzing an event that is still in progress, then you can examine how the firm is doing since the event. In a merger: can you estimate whether the acquirer paid too much? In a restructuring, has the value of the firm increased? In a break-up – are the parts worth more now than the whole?

The focus throughout your project should be on the financial aspects of the event – though of course operational, marketing, and strategic influences may be integral to your project.

Length: 10 – 15 pages.
Presentation: Powerpoint presentation, 10 minutes per group.
Feel free to discuss the progress of your project with me.

Progress Report Due in Week 7

- 1 – 2 pages (bullet form is fine)
- A brief introduction to your topic (~a paragraph)
- Include the names of the firms you are studying, their industry, time frame of event, type of event – bankruptcy, merger, offering, restructuring etc.
- List of questions/issues you hope to address
- List of exhibits that you foresee being included in the final version of your project

I do not want to see content at this stage – just an outline of what you plan to do.

Peer Review

One aspect of group work is that it is difficult to assess each individual’s contribution, and some students may free ride on the efforts of their team members. Peer review will be used to allow students to provide useful information about teammate contributions to help avoid the free rider problem.

Each student will have 100 points to award to the other members of his or her team. The points that you allocate should be proportional to the individual’s contribution to your team over the course of the quarter. For example if you think that teammate A has contributed twice as much as teammate B then A should get twice as many points as B.

The peer review forms will be completed at the end of the semester. The form must be signed (it is not anonymous) but will be kept confidential. Students will be told the total number of points awarded to them but not told the points given by individual teammates.

Class Contribution

I will assign points for each student’s contributions in class. These points will be based on the quantity and quality of the student’s classroom questions, comments, and responses to questions posed by the instructor and classmates.

At an absolute minimum each student is expected to be familiar with the case and to understand his or her team’s analysis and conclusions.
<table>
<thead>
<tr>
<th>Class</th>
<th>Topic</th>
<th>Background Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mon Apr 2</td>
<td>Intro, Financial Metrics&lt;br&gt;&lt;br&gt;&lt;i&gt;Case: The Financial Detective Form Teams&lt;/i&gt;</td>
<td>RWJ Appendix 2A&lt;br&gt;Higgins Ch 1&lt;br&gt;Higgins Ch 2</td>
</tr>
<tr>
<td>Mon Apr 9</td>
<td>Forecasting&lt;br&gt;&lt;br&gt;&lt;i&gt;Case: The Body Shop&lt;/i&gt;</td>
<td>RWJ Chapter 26&lt;br&gt;Higgins Ch 3 (pg 83-100)</td>
</tr>
<tr>
<td>Mon Apr 16</td>
<td>Short Term Financial Management&lt;br&gt;&lt;br&gt;&lt;i&gt;Case: Kota Fibres&lt;/i&gt;&lt;br&gt;&lt;br&gt;&lt;b&gt;Final Project Topic Due&lt;/b&gt;</td>
<td>Background in RWJ Chapters 27, 28, 29&lt;br&gt;Higgins Ch 3 (pg 100 – 106)</td>
</tr>
<tr>
<td>Mon Apr 23</td>
<td>&lt;i&gt;Case: ServerVault*&lt;/i&gt;&lt;br&gt;Capital Structure</td>
<td>Background in RWJ Chapters 15, 16, 17&lt;br&gt;Higgins Ch 4 and Ch 6&lt;br&gt;“Structuring Corporate Financial Policy”</td>
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<tr>
<td>Mon Apr 30</td>
<td>&lt;i&gt;Case: MCI Communications Corp&lt;/i&gt;&lt;br&gt;&lt;i&gt;Case: Unidentified Financial Structures (to be distributed in class)&lt;/i&gt;</td>
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<tr>
<td>Mon May 7</td>
<td>&lt;i&gt;Case: Polaroid Corp 1996*&lt;/i&gt;&lt;br&gt;Dividend Policy</td>
<td>RWJ Chapter 18</td>
</tr>
<tr>
<td>Mon May 14</td>
<td>&lt;i&gt;Case: Gainesboro Machine Tools Corporation&lt;/i&gt;&lt;br&gt;Options&lt;br&gt;&lt;br&gt;&lt;b&gt;Final Project Progress Report Due&lt;/b&gt;</td>
<td>RWJ Chapters 22, 24</td>
</tr>
<tr>
<td>Mon May 21</td>
<td>&lt;i&gt;Case: Corning Inc*&lt;/i&gt;&lt;br&gt;Corporate Restructuring</td>
<td>RWJ Chapter 30, 31&lt;br&gt;Higgins Ch 9&lt;br&gt;“A Primer on the US Bankruptcy Code”</td>
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<tr>
<td>Mon May 28</td>
<td>&lt;b&gt;Memorial Day – No Class&lt;/b&gt;</td>
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<tr>
<td>Wed May 30</td>
<td>&lt;i&gt;Case: General Mills and Pillsbury&lt;/i&gt;&lt;br&gt;&lt;i&gt;Case: Marvel Entertainment Group&lt;/i&gt;</td>
<td></td>
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<tr>
<td>Mon June 4</td>
<td>Team Presentations&lt;br&gt;Final Project Due</td>
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</tbody>
</table>

* indicates that a full written analysis is to be handed in on this case.
## Course Schedule – MGB 260
### Spring 2007

<table>
<thead>
<tr>
<th>Class</th>
<th>Topic</th>
<th>Background Reading</th>
</tr>
</thead>
</table>
| Fri Mar 30| Intro, Financial Metrics  
*Case: The Financial Detective*  
Form Teams | RWJ Appendix 2A  
Higgins Ch 1  
Higgins Ch 2 |
| Sat Mar 31| Forecasting  
*Case: The Body Shop* | RWJ Chapter 26  
Higgins Ch 3 (pg 83-100) |
| Fri Apr 13| Short Term Financial Management  
*Case: Kota Fibres*  
**Final Project Topic Due** | Background in RWJ  
Chapters 27, 28, 29  
Higgins Ch 3 (pg 100 – 106) |
| Sat Apr 14| *Case: ServerVault*  
Capital Structure | Background in RWJ  
Chapters 15, 16, 17  
Higgins Ch 4 and Ch 6  
“Structuring Corporate Financial Policy” |
| Fri Apr 27| *Case: MCI Communications Corp*  
*Case: Unidentified Financial Structures*  
(to be distributed in class) | |
| Sat Apr 28| *Case: Polaroid Corp 1996*  
Dividend Policy | RWJ Chapter 18 |
| Fri May 11| *Case: Gainesboro Machine Tools Corporation*  
Options  
**Final Project Progress Report Due** | RWJ Chapters 22, 24 |
| Sat May 12| *Case: Corning Inc*  
Corporate Restructuring | RWJ Chapter 30, 31  
Higgins Ch 9  
“A Primer on the US Bankruptcy Code” |
| Fri May 25| *Case: General Mills and Pillsbury*  
*Case: Marvel Entertainment Group* | |
| Sat May 26| Team Presentations  
**Final Project Due** | |

* indicates that a full written analysis is to be handed in on this case.
The Financial Detective, 2005
Case:UVA-F-1486
Authors:Robert F. Bruner
Origin:Darden
Length:5 Pages
Published:11/17/2005

The Body Shop International PLC 2001: An Introduction To Financial Modeling (v. 1.2)
Case:UVA-F-1349
Authors:Robert F. Bruner; Robert M. Conroy; Susan Shank; John Vaccaro
Origin:Darden
Length:18 Pages
Published:10/8/2001

Kota Fibres, Ltd.
Case:UVA-F-1359
Authors:Robert F. Bruner; Thien T. Pham
Origin:Darden
Length:18 Pages
Published:1/31/2002

Server Vault: "Reliable, Secure, and Wicked Fast"
Case:UVA-F-1304
Authors:Robert F. Bruner; Chad Rynbrandt
Origin:Darden
Length:12 Pages
Published:10/27/2000

MCI Communications Corp.: Capital Structure Theory
Case:UVA-F-1175
Authors:Susan Chaplinsky; Robert S. Harris
Origin:Darden
Length:11 Pages
Published:3/31/1997

Structuring Corporate Financial Policy: Diagnosis of Problems and Evaluation of Strategies (v. 1.5)
Case:UVA-F-1054
Authors:Robert F. Bruner; Katherine L. Updike
Origin:Darden
Length:19 Pages
Published:4/5/1994
Polaroid Corporation, 1996
Case:UVA-F-1181
Authors:Robert F. Bruner; Susan Chaplinsky
Origin:Darden
Length:20 Pages
Published:4/4/1997

Gainesboro Machine Tools Corporation
Case:UVA-F-1489
Authors:Robert F. Bruner
Origin:Darden
Length:16 Pages
Published:12/6/2005

Corning Inc.: Zero Coupon Convertible Debentures (A) (V. 2.6)
Case:UVA-F-1339
Authors:Robert F. Bruner; Jessica Chan
Origin:Darden
Length:22 Pages
Published:9/21/2001

A Managerial Primer on the US Bankruptcy Code
Case:UVA-QA-0633
Authors:Matthias Hild; Matthew R. McBrady
Origin:Darden
Length:6 Pages
Published:9/9/2004

General Mills' Acquisition of Pillsbury from Diageo PLC
Case:UVA-F-1326
Authors:Robert F. Bruner
Origin:Darden
Length:12 Pages
Published:2/27/2001

Bankruptcy and Restructuring at Marvel Entertainment Company
Case:9-298-059
Authors:Benjamin Esty; Jason Auerbach
Origin:HBS
Length:18 Pages
Published:7/2/1998