Corporate Strategy and Valuation (Mazumdar)
UGBA 137 (3 units)

Overview:
This course is designed to give juniors and seniors seeking a career in finance a real-world perspective, by learning state of the art theories and valuation principles and applying these to analyze well-known Harvard cases. The course is thus designed to give students advanced analytical skills and tools; and hone their written and presentation/discussion skills which are as important and “number-crunching” analytical skills in the world of finance. Students who have then this course in the past have typically gone on to careers in investment banking, retail banking, corporate finance at technology companies and consulting.

Objectives:

The real world of corporate finance is far from formulaic. While understanding the basic theories of finance covered in the introductory core finance course is an important first step, to work in the world of finance one needs to understand the way in which different financial decisions interact and their strategic implications. (E.g., does the value of a project depend on whether it is financed with debt or equity? Does the firm’s investment choice depend on whether debt is long or short term? Should a firm invest in a project with negative net present value?) So this course will emphasize understanding the role of corporate strategy in maximizing the firm’s value in a dynamic environment.

Teaching methods:

To address such real-world corporate financial issues we will develop a tool-box that includes new financial concepts/models (such as real options and information asymmetry) through lectures and problem sets, and several well-known Harvard case studies. These case studies analyze real world application so financial concepts and typically offer several reasonable alternative courses of action for the executive, not a single correct answer. So you will develop a broader practical sense of judgment regarding the critical strategic issues involved in most financial decisions through this method. You will be required to take a final decision regarding the optimal managerial strategy by weighing the pros and cons of the case-specific facts and will then have to defend your position in active class discussions. This interactive learning process is perhaps the greatest value to the case study method of instruction.

The key learning objectives of the course are:
1. To understand standard valuation techniques in greater detail by analyzing financial statements, and standard methods of evaluation cash flows and discount rates.
2. To learn option pricing techniques that will be helpful in analyzing strategic issues in a wide variety of contexts, such as choice of hurdle rates, evaluation of projects with built-in real options and the agency costs related to debt.
3. To explore the interrelated nature of company decisions in different areas.
4. To explore the range of issues (such as asymmetric information) associated with financing tactics relevant in maximizing firm value.
5. To examine the interaction of competitive strategy and financial policy (and the use of finance as a competitive weapon).
6. To learn about the implications of the market efficiency hypothesis (MEH) in the context of valuation, and the role of MEH in securities laws.
7. Additionally, the course will require students to explain and argue a position in an open forum and present analytical work in a succinct and readable format. Both oral and written presentations skills are invaluable in the real world, even in the world of numbers e.g., finance!


**Required Readings:** background chapters from text, and lecture notes; Harvard cases; readings, notes and news articles that may be handed out periodically during the course or made available on study.net.

**Grading** (5 components, each worth 20%): (1) 2 written cases analyses (done as a team of 4); (2) 5 Problem sets (done as a team of 4); (3) class participation; (4) midterm; and (5) final. [Midterm and finals will be based on problems similar to those solved in class and homework sets].

**Pre-requisite:** BA 103 is strongly recommended, but not required. Students who have not taken BA 103 course but want to take this one are welcome to do so, provided they review the relevant background material on their own. In addition, I will review relevant background material from core finance classes whenever necessary. A basic understanding of accounting statements is also useful, but not a pre-requisite.

**About the instructor:**
- Dr. Sumon Mazumdar is Lead Director of the Securities practice at Navigant Consulting [ticker: NCI] a leading specialized, global expert services firm with a presence in over 70 countries. Over the past 15 years he has consulted for major law firms, Fortune 100 corporations, financial institutions and government agencies (such as the U.S. Department of Justice and the Internal Revenue Service) related to high-profile financial litigation (e.g., prominent securities fraud class actions, cases concerning market timing of mutual funds, option-backdating, and Ponzi schemes).
- Dr. Mazumdar is listed amongst the most prolific finance scholars world-wide from 1990 to 2001 in a Financial Management study, and included in *Harvard Business School’s “Profiles in Business and Management: An International Directory of Scholars and Their Research.”* Dr. Mazumdar has over 50 publications in journals in the areas of finance, banking, securities law, regulatory economics, and insurance. In addition to major peer-reviewed journals, he has published several book chapters, case studies, and opinion pieces in major newspapers on corporate finance, banking, derivatives and risk management issues.
- Dr. Mazumdar has been a member of the Haas finance faculty since 1996, where he teaches corporate finance, capital markets and financial institutions courses at the graduate and undergraduate levels. He has consistently been a member of Haas’ Club of Six (received median scores of six or higher on a scale of 7).
- Previously, he has held tenured professorships in finance at McGill and York Universities in Canada, and taught as visiting professor at University of Strathclyde (U.K.), the
People’s University of China, Beijing, University of Texas at Dallas, and in the executive management program at Queen’s University, Canada. Dr. Mazumdar has also served as an honorary academic scholar at the U.S. Federal Reserve Bank of San Francisco and been an invited speaker at numerous universities, international academic and practitioner conferences, research institutes (such as the U.S. Federal Reserve Banks, and the International Monetary Fund).

- Dr. Mazumdar holds a PhD and an MA in Economics from Southern Methodist University in Dallas, Texas and a BSc with Honors in Economics from St. Xavier's College, Calcutta University, India. He was included in the 1988-1989 edition of *Who’s Who Among International Students in American Universities & Colleges* and has won several international awards for his scholarship including grants from Canada's Social Sciences and Humanities Council and Quebec's Fonds pour la Formation de chercheurs et l'aide a la recherche (FCAR).