

# Cases in Finance

**Fall 2022**

**Instructor:**

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## 1. Course objective

This course provides students with an opportunity to apply the knowledge acquired in finance courses to real-world problems using case studies. Potential topics covered by the cases in this course are financial forecasting, the cost of capital, investment decisions, the interaction between investment and financing decisions, real options, valuation and negotiation issues in mergers and acquisitions or going-private/public transactions, etc.

The case and in-class discussion set-up also allows students to connect the various concepts taught in finance as well as related courses. Thereby, the course aims to highlight how corporate finance fits into the bigger picture. In that regard, the course also encourages students to critically reflect on all concepts and methods taught in finance.

## 2. Readings

There is no required text book. The list below includes text books which provide a valuable resource for the topics covered in the course. However, these books contain much more than what we will be able to cover in the meetings.

- Loderer, C., and Waelchli, U., 2010. *Handbuch der Bewertung*, 5. Edition. NZZ Verlag, Zurich.
- Grinblatt, M., and Titman, S., 2004. *Financial Markets and Corporate Strategy*, 2<sup>nd</sup> Edition. McGraw Hill, New York.
- Ross, S., Westerfield, R., Jaffe, J., and Jordan, B., 2008. *Modern Financial Management*, 8<sup>th</sup> Edition. McGraw-Hill, New York.
- Brealey, R., Myers, S., and Allen, F., 2013. *Principles of Corporate Finance*, 11<sup>th</sup> Edition. McGraw-Hill, New York.
- Berk, J., and DeMarzo, P., 2014. *Corporate Finance*, 3<sup>rd</sup> Edition (Global). Pearson Education, Essex.
- Damodaran, A., 2012. *Investment Valuation. Tools and Techniques for Determining the Value of any Asset*, 3<sup>rd</sup> Edition. Wiley Finance.

### 3. Case write-ups

The assigned cases should be prepared in groups of 2-3 students. Each case counts equally towards the final grade. The write-up should not exceed **three pages** and adhere to the following formatting rules: Arial, font 12, 1.5 lines spacing, and 2cm margin on the left and right hand side and bottom and top of the page. Tables and figures should be part of the appendix which again should not exceed **three pages**. Hence, in total the report including the appendix should be no longer than **six pages** (excluding title page). For each case, you will be provided with a set of questions to guide your analysis. The questions can be found on **ILIAS**.

Please pay attention to the following instructions when you prepare the case report. Failure to adhere to these instructions will result in points deducted from your case solution.

- You need to turn in a printed case write-up on the dates assigned below before the beginning of class. Excel files and a PDF of your report should be submitted electronically via email ([demian.berchtold@ifm.unibe.ch](mailto:demian.berchtold@ifm.unibe.ch)) also before the beginning of class.
- In writing the report, mark clearly the question number you are referring to.
- When necessary, you should have a section called “Key Assumptions” where you list the important assumptions you have made throughout a specific answer (not for the entire case). You have to emphasize where these assumptions are necessary in your analysis.
- When reasonable, you should use @Risk for a simulation analysis and include the output in the appendix.
- Charts or tables do not constitute an answer – they are considered as supporting material for your analysis.
- All tables and charts should have a descriptive title, should be numbered and appear in the appendix. There must be “Explanatory Notes” following each table or chart where the calculations in the table or chart are explained.
- The analysis in the report should make clear reference to the charts and tables in the appendix, including table or chart number, and the main result taken from the table or chart to support your answers.
- The best advice for a good report is that each member of the team reads the report **before** submitting it.

## 4. Grading

The grade in this course will be based on

- Case submissions                      60% (all cases have equal weight)
- Group presentation                    20% (based on group performance)
- Class discussions                      20% (based on class performance)

### 4.1 Case grading

For each case, groups will receive points on a scale of 0 to 100. 80 points are given for answering the case questions and 20 points for the overall quality of the case report.<sup>1</sup> At the end, every group will have an average score across all 6 cases.

Working in groups is an important way to learn teamwork. Nevertheless, even within teams it is important to reward superlative performances of both types. Hence, I apply the following procedure. For all six cases, the total group score equals the average group score times the number of students in the group. On the last day of class (December 19, 2022), each group will turn in their grade-allocation sheet containing:

- the percentage (summing to 100%) of the total group score that each member by name is to receive towards his case and group presentation grade, and
- the signature of each group member.

The grade allocation sheet is valid and binding on all members if it is signed by at least two group members. Points are equally awarded to all group members if you do not hand in a grade-allocation sheet or if you hand in an invalid grade allocation sheet.

### 4.2 Group presentation

Each group will be assigned to present one of the six cases. Groups can apply for a specific case (indication of two preferred cases) by email ([demian.berchtold@ifm.unibe.ch](mailto:demian.berchtold@ifm.unibe.ch)). The allocation of cases to groups is done based on a first-come first-served-principle.

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<sup>1</sup> Imagine you would hand in your report to the board of directors. Your report should have a title page with the appropriate information (does not count as a page), pages should be numbered and at least stapled together, the quality of your tables/figures should be reasonable, and the text should be written in proper English.

There might be restrictions on which cases you can apply for depending on the number of participants in the seminar.

The presentations should be like a pitch, for example to the board of directors, containing:

- a brief and concise overview of the case study (background, main issues, etc.),
- the main assumptions, results and scenarios, and
- specific recommendations.

The presentation should be 20 to 25 minutes (approximately 10-12 slides), and all group members should be present. Afterwards, the group is leading a Q&A session.

Important evaluation criteria are the structure of the presentation, focus on relevant aspects, clarity of the slides, soundness of the arguments, and presentation skills.<sup>2</sup>

### 4.3 Class discussion

I grade class discussion on a scale of 1 to 6 at the end of the course. In my view, the quality of class discussion depends on how good you work together as a class. Individual contributions are difficult to observe and quantify. Some students are quick to make an argument. Others behave more like silent observers keeping an eye on the big picture. By grading the entire class, I would like to encourage each student to focus on his specific skill set. Also, by refraining from grading individual performance I hope to foster an open, relaxed, and cooperative atmosphere.

Nevertheless, freeriding will not go unpunished. To be eligible to the full class discussion grade, I expect that you come to class and that you are paying attention during the course of class discussion.

Group members are required to sit together in class. Each member should bring to class a copy of the case and the report for class discussion. It is course policy for students not to use laptops or smartphones in class.

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<sup>2</sup> The following link could provide you with further valuable hints for the oral presentations:  
<http://go.owu.edu/~dapeople/ggpresnt.html>

## 5. Academic integrity

It is expected that you will support and maintain a high standard of academic integrity. Cheating on case write-ups and other academic misconduct will result in a failing grade and additional sanctions. A gross violation of Academic Regulations is to use solutions to cases from a similar course taught by me or any other instructor, be it someone's class notes or case solutions, whether verbal or written.

## 6. Schedule

Cases are due on the dates they appear on the schedule.

Case study Topic	Date
<i>No class</i>	19.09.2022
<b>Introduction</b>	26.09.2022
<i>No class</i>	03.10.2022
Financial Policy at Apple, 2013 (A) <b>Financial forecasting</b>	10.10.2022
<i>No class</i>	17.10.2022
Royal Mail PLC: Cost of Capital <b>Estimating the cost of capital</b>	24.10.2022
<i>No class</i>	31.10.2022
Radio One, Inc. <b>Valuation of a Merger and Acquisition (M&amp;A)</b>	07.11.2022
<i>No class</i>	14.11.2022
Brazos Partners and Cheddar's Inc. <b>Valuation of a Leveraged Buyout</b>	21.11.2022
<i>No class</i>	28.11.2022

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Blue Haven Initiative: The PEGAfrica Investment <b>Valuation of an early-stage investment</b>	05.12.2022
<i>No class</i>	12.12.2022
Sacred Economics <b>A critical reflection on today's financial and monetary system</b>	19.12.2022

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