Case Map for
Bodie & Merton: Finance *(Prentice Hall)*

Case Title	Source, Number, Length, Teaching Note	Geographical and Industry Setting, Company Size, Timeframe	Case Decision Issue
I. FINANCE AND THE FINANCIAL SYSTEM			
Chapter 1: What Is Finance?			
Nick Fiore: Healer or Hitman? (A)	HBSP #601-062 17p	Pittsburgh, PA, specialty steel, 6,000 employees, 1999	Presents the predicament many general managers face at one time or another: if I don't deliver the numbers, senior management won't invest in our growth. But what it takes to deliver the desired numbers may include layoffs and other undesirable solutions. Is it better to back off the short-term solutions and weather the revenue losses, or will cutting back in the short term actually help to deliver the long-term results? Looks at one general manager's struggle with these issues. Helps students confront the reality that amongst the intellectual appeal of strategic planning, high technology, financial engineering, and market segmentation lies the relentless reality that managers must deliver results and that the data they need, in order to take small corrective actions before larger disasters occur, resides in the divisions and in the functions.
Policy Management Systems Corp.: The Financial Reporting Crisis	HBSP #102-013 10p	United States, software, 4,000 employees, 1993	Explores the challenges facing Tim Williams, the new CFO of a publicly-traded enterprise software company, as he attempts to rebuild his company's reputation for reliable financial reporting following a highly visible financial reporting crisis. Armed with an understanding of the company business model, sales cycle, and revenue recognition policy, Williams must assess how various factors contributes to the company's crisis, and which policies and business practices can be changed to ensure against future financial reporting issues. Useful early in a course on financial reporting to develop a basic framework for the role of financial reporting and disclosure in the capital markets. Provides opportunities for discussing key aspects of the financial reporting system, including accrual accounting, management's responsibility for financial reporting, and the set of generally accepted accounting principles and audit practices that impose restrictions on management. Additionally, highlights the roles of capital market regulators

			(the SEC) and information intermediaries.
Clarkson Lumber Co.	HBSP #297-028 6p TN #297-076	United States, retail lumber, 11 employees, 1991	The owner of a rapidly growing retail lumber company is considering the financial implications of continued rapid growth. The magnitude of the company's future financing requirements must be assessed in the context of the company's access to bank finance and/or equity finance. Develops skills in financial analysis, financial forecasting, and financial planning.
Chapter 2: The Financial System			
The Harmonized Savings Plan at BP Amoco	HBSP #201-052 17p	Chicago, pension fund, 1999	On August 11, 1998, United States' Amoco Corp. merged with the British Petroleum Co. (BP). This case focuses on the issues surrounding the integration of the employee-defined contribution plans at Amoco and the U.S. subsidiary of BP. One of them was that the pre-merger plans had very different investment structures. The new plan, which would have more than 40,000 participants and $7 billion in assets, would have to either choose one of these approaches, or try to integrate them into one single structure. Provides students with ample opportunities to discuss issues such as market efficiency, active versus passive (indexed) asset management, mutual fund performance evaluation, the design of private pension plans, and the mutual fund industry.
American International Group, Inc.	HBSP #200-026 31p	United States, insurance, 1999	American International Group, Inc. (AIG), one of the world's largest and most innovative insurers and financial intermediaries, is thinking about strategy in an era of new competition and Internet distribution. Demonstrates issues associated with a large financial intermediary.
Morningstar, Inc.	HBSP #298-140 24p	Chicago, mutual fund, 100 employees, 1998	Morningstar, Inc., a publisher of information for mutual fund investors, is considering alternative strategies for broadening its subscriber base and increasing its revenues. Potential strategies include tailoring information for the defined contribution pension fund marketplace, and licensing Morningstar's performance ratings to fund complexes. This case provides a setting in which to discuss the U.S. mutual fund industry, with particular focus on mutual fund performance measurement, and the information needs of consumers of mutual funds.
Knightsbridge Advisers, Inc.	HBSP #296-054 26p TN #299-066	Oklahoma, venture capital, 10 employees, 1995	Joel Romines and Brad Kelly, principals in Knightsbridge Advisors, an investment management firm specializing in venture capital, must decide if and how they should raise money for their third fund of funds. Public and private

			market prices are at record levels. This case highlights the linkage between public markets and venture capital.
U.S. Bank of Washington	HBSP #292-057 23p TN #298-021	Seattle, banking, 1990	A vice president of the U.S. Bank of Washington, a subsidiary of U.S. Bancorp, is asked to review a $6.5 million loan request from the Redhook Ale Brewery, a Seattle-based microbrewery. The case provides an understanding of the U.S. commercial banking industry and the role of a loan officer, and asks the student to assess a proposed loan. Provides an opportunity for financial statement and cash flow analysis.
Chapter 3: Interpreting and Forecasting Financial Statements			
Sears, Roebuck and Co. vs. Wal-Mart Stores, Inc.	HBSP #101-011 18p	United States, retail, 200,000 employees, 1997	This case is designed to familiarize students with the use of financial ratios. Two retailers, Sears, Roebuck and Co. and Wal-Mart Stores, Inc., have a very similar value for return on equity (ROE) in the 1997 fiscal year. Students use the information in the case and the accompanying exhibits, which include financial statements as well as disclosures regarding corporate strategies and accounting policies for each company, to analyze the value creation process for each firm. This case provides a good introduction regarding the combination of such information to create a powerful tool for financial statement analysis.
Advanced Technologies, Inc.	HBSP #299-042 8p	United States, semiconductor, 1997	The CEO of a semiconductor equipment manufacturer is assessing the financial forecasts and financing plan prepared by the chief financial officer. Continued rapid growth will create substantial financing pressures, especially if profitability fails to recover and/or if a major, unexpected economic downturn occurs.
Clarkson Lumber Co.	HBSP #297-028 6p TN #297-076	United States, retail lumber, 11 employees, 1991	The owner of a rapidly growing retail lumber company is considering the financial implications of continued rapid growth. The magnitude of the company's future financing requirements must be assessed in the context of the company's access to bank finance and/or equity finance. Develops skills in financial analysis, financial forecasting, and financial planning.
Crystal Meadows of Tahoe, Inc.	HBSP #192-150 6p TN #193-128	California/Utah, skiing, 1991	An introductory case in cash flow analysis and the preparation of statements of cash flows. Based on the 1991 income statement and balance sheet at a ski resort company, the case provides additional information which allows a student to prepare both a direct and an indirect statement of cash flows.

II: TIME AND RESOURCE ALLOCATION			
Chapter 4: The Time Value of Money and Discounted Cash Flow Analysis			
Health Development Corp.	HBSP #200-049 5p TN #201-030	Boston, fitness, 2000	Health Development Corp. (HDC) owns and operates health clubs in the Greater Boston area. HDC engaged a local investment banker to explore a sale of the company. The most likely buyer views HDC's prior purchase of real estate as a negative. HDC's management is convinced the purchase enhanced value, and a discounted cash flow analysis confirms that it was a substantially positive net present value decision. Nevertheless, the real estate reduces the valuation according to the approach used by the potential buyer. The challenge is to structure a transaction that allows HDC to realize its full value. Shows the relation between discounted cash flow techniques and multiples.
Ginny's Restaurant	HBSP #201-099 2p TN #202-013		An individual is considering the development of a new restaurant. To make the decision, she uses NPV analysis to determine whether she should undertake the investment, and if so, the optimal size of the investment. Introduces net present value analysis.
Tree Values	HBSP #201-031 3p TN #202-018	New Hampshire, forestry, 1999	Describes two alternative tree-cutting strategies. The case presents information for students to estimate the cash flows for each alternative. After estimating the corresponding cash flows, students have the opportunity to use discounted cash flow techniques to decide when to cut trees under each strategy and to select which strategy maximizes the value of the forest.
Chapter 5: Life-Cycle Financial Planning			
Martin Smith: January 2000	HBSP #298-076 9p TN #202-035	Boston, venture capital, 1998	An MBA student must choose between offers from three private equity organizations. Each organization has distinct strengths and weaknesses, and different implications for the student's career development. The case presents compensation and employment data about the private equity industry. Introduces the private equity industry and the key offerings between groups.
Social Security Reform	HBSP #799-011 22p TN #799-095	United States, government, 1997	Examines various approaches to pension reform. Explores the current Social Security system in the United States, pension reform in other countries, and the leading approaches to reform. Concludes with analysis of three questions: 1) would returns be higher in a private system? 2) how could the

			transition to a new system be financed?, and 3) would privatization increase national savings?
Chapter 6: How to Analyze Investment Projects			
Airbus A3XX: Developing the World's Largest Commercial Jet (A)	HBSP #201-028 20p TN #201-040	France, aerospace, 2000	In July 2000, Airbus Industrie's supervisory board is on the verge of approving a $13 billion investment for the development of a new super jumbo jet known as the A3XX. Having secured approximately 20 orders for the new jet, the board must decide whether there is sufficient long-term demand for the A3XX to justify the investment. At the time, Airbus was predicting that the market for very large aircraft (VLA) would exceed 1,500 aircraft over the next 20 years and would generate sales in excess of $350 billion. According to Airbus, it needed to sell 250 aircraft to break even, and could sell as many as 750 aircraft over the next 20 years. This case explores the two sets of forecasts, and asks students whether they would proceed with the launch given the size of the investment and the uncertainty in long-term demand. Illustrates the basic economics of large projects and the complexity in estimating even top-line demand for products with useful lives of up to 50 years. Also illustrates the role of governments in large projects, both as investors and as customers.
Pioneer Petroleum Corp.	HBSP #292-011 5p TN #292-080	West Coast/Alaska, petroleum products, 1991	Pioneer is an integrated oil company. Its operations include exploration and development, production, transportation, and marketing. The case focuses on Pioneer's cost of capital calculations and its choice between a single company-wide cost of capital or divisional costs of capital. Provides students the opportunity to learn how to calculate a company-wide weighted average cost of capital. An appropriate measure of the cost of equity capital is presented so that students are able to challenge their understanding of key concepts by critiquing the company's measure and suggesting their own.
Friendly Cards, Inc.	HBSP #293-135 10p TN #294-114	United States, greeting cards, 1988	Involves analysis of a major capital investment proposal, an acquisition of another company, an estimate of the funds required for these two possible outlays, and a recommended course of management action.
Harris Seafoods, Inc.	HBSP #281-054 13p	Texas, shrimp production and sales, 1980	Presents data relevant to a major capital expenditure – the construction of a shrimp plant. Designed to test students' ability to identify relevant cash flows, to estimate the cost of capital, and to decide whether or not to invest.

Investment Analysis and Lockheed Tri Star	HBSP #291-031 6p TN #291-032	Aerospace, 1968-1973	A set of five exercises in capital budgeting. Students calculate and compare various decision criteria (including IRR and NPV) for capital investment projects. This is an introductory case, where relevant cash flows are provided, and the focus is on the discounting mechanics and the decision to invest. In addition, one exercise directly probes the link between positive NPV projects, and value added to the shareholders. The final "exercise" is a three page mini-case analyzing Lockheed's decision to invest in the TriStar L-1011 Airbus project. This drives home the importance of discounting and NPV, and shows the adverse effect of a negative NPV project on shareholder value.
III. VALUATION MODELS			
Chapter 7: Principles of Asset Valuation			
The Harmonized Savings Plan at BP Amoco	HBSP #201-052 17p	Chicago, pension fund, 1999	On August 11, 1998, United States' Amoco Corp. merged with the British Petroleum Co. (BP). This case focuses on the issues surrounding the integration of the employee-defined contribution plans at Amoco and the U.S. subsidiary of BP. One of them was that the pre-merger plans had very different investment structures. The new plan, which would have more than 40,000 participants and $7 billion in assets, would have to either choose one of these approaches, or try to integrate them into one single structure. Provides students with ample opportunities to discuss issues such as market efficiency, active versus passive (indexed) asset management, mutual fund performance evaluation, the design of private pension plans, and the mutual fund industry.
Long-Term Capital Management, L.P. (A)	HBSP #200-007 23p	Connecticut, finance, 1997-1998	Long-Term Capital Management, L.P. (LTCM) was in the business of engaging in trading securities to exploit market pricing discrepancies. LTCM generally sought to hedge the risk-exposure components of its positions that were not expected to add incremental value to portfolio performance, and to increase the value-added component of its risk exposures by borrowing to increase the size of its positions. The fund's positions were diversified across many markets. This case is set in September 1997, when, after three and a half years of high investment returns, LTCM's fund capital had grown to $6.7 billion. Because of the limitations imposed by available market liquidity, LTCM was considering whether it was a prudent and opportune moment to return

			capital to investors. Can be used to discuss a broad range of issues relating to arbitrage, market efficiency, implementation of investment strategies, liquidity shocks, risk management, financial intermediation, investment management, hedge funds, incentives, systemic risk, and regulation.
Eskimo Pie Corp.	HBSP #293-084 13p TN #297-073	Richmond, VA, ice cream novelties, 100 employees, 1991	In early 1991, Reynolds Metals, the makers of aluminum products, decided to sell its holding of Eskimo Pie, a marketer of branded frozen novelties. Reynolds had an offer from Nestle to acquire Eskimo Pie. However, Reynolds decided instead to make an initial public offering of Eskimo Pie shares. Allows students to examine methods of selling a division of a large corporation and provides information about Initial Public Offerings.
Arbitrage in the Government Bond Market?	HBSP #293-093 9p TN #296-059	United States, money management, 1991	Documents a pricing anomaly in the large and liquid treasury bond market. The prices of callable treasury bonds seem to be inconsistent with the prices of noncallable treasuries and an arbitrage opportunity appears to exist. Permits instructors to introduce the treasury market, the concept of creating synthetic instruments, principles of arbitrage, and institutional frictions in the bond markets.
Chapter 8: Valuation of Known Cash Flows: Bonds			
Cougars	HBSP #295-006 6p TN #295-098		Provides an introduction to zero coupon bonds and stripping coupon bonds. Concerns the relationship between the spot curve, the strip curve, and the coupon curve.
Jupiter Management Co.	HBSP #292-107 24p TN #298-023	United States, money management	The manager of a small company growth fund considers relative merits of investing in a company's convertible debt versus its common.
Arbitrage in the Government Bond Market?	HBSP #293-093 9p TN #296-059	United States, money management, 1991	Documents a pricing anomaly in the large and liquid treasury bond market. The prices of callable treasury bonds seem to be inconsistent with the prices of noncallable treasuries and an arbitrage opportunity appears to exist. Permits instructors to introduce the treasury market, the concept of creating synthetic instruments, principles of arbitrage, and institutional frictions in the bond markets.
Chapter 9: Valuation of Common Stocks			
Ford Motor Co.'s Value	HBSP #201-079	Michigan, automobiles, 335,000	In April 2000, Ford Motor Co. announced a shareholder Value Enhancement Plan (VEP) to

Enhancement Plan	17p	employees, 2000	significantly recapitalize the firm's ownership structure. Ford had accumulated $23 billion in cash reserves and under the VEP would return as much as $10 billion of this cash to shareholders. Students must wrestle with the following questions: Why was Ford proposing this transaction instead of a traditional share repurchase or a cash dividend? How did the interests of the Ford family factor into this decision, and what did the transaction imply about the future involvement of the family in the company? Why was Ford distributing such a significant amount of cash at this particular point in time? Did the distribution signal a change in the company's appetite for making acquisitions or future capital expenditures? If shareholders collectively elected to receive less than $10 billion in cash, how would Ford distribute the remaining cash? Provides a rich setting in which to discuss one of the most basic decisions corporations face: how to return cash to shareholders. It is a vehicle for discussing corporate financial policies and capital structure decisions, particularly as they relate to cash dividends and share repurchases.
Global Equity Markets: The Case of Royal Dutch and Shell	HBSP #296-077 19p TN #201-093		Royal Dutch and Shell common stocks are securities with linked cash flow, so that the ratio of their stock prices should be fixed. In fact, the ratio is highly variable, moving with the markets where the securities are intensively traded. Royal Dutch trades more actively in the Netherlands and U.S. markets, whereas Shell trades more actively in the United States. The result is that the Royal Dutch/Shell relative price moves positively with the Netherlands and U.S. markets and negatively with the U.K. market. The ability to arbitrage these disparities and their causes are major case focal points. Demonstrates how valuation is affected by the location of trade/ownership, and why arbitrage doesn't lead to integration of international financial markets.
Dividend Policy at FPL Group, Inc. (A)	HBSP #295-059 17p TN #296-072	Florida, electric utility, 12,400 employees, 1994	A Wall Street analyst has just learned that FPL (the holding company for Florida's largest electric utility) may cut its dividend in several days despite a 47-year streak of consecutive dividend increases. In response to the deregulation of the electric utility industry, FPL has substantially revised its competitive strategy over the past several years. The analyst must decide whether a change in dividend policy will be a part of FPL's

			financial strategy. Allows students to examine how firms set and change dividend policy. Also provides background for examining why firms pay dividends and whether dividend policy matters.
IV. RISK MANAGEMENT AND PORTFOLIO THEORY			
Chapter 10: An Overview of Risk Management			
Harvard Management Co. – 2001	HBSP #201-129 23p	Boston, 150 employees, 2001	Harvard Management Co. uses portfolio theory to help consider the asset allocation issues for its endowment.
The State of South Carolina	HBSP #201-061 31p TN #201-127	South Carolina, state government, 1998	Considers the managerial decision faced by the state's treasurer in 1998. Until recently, the South Carolina state pension fund (with over $17 billion in assets) was barred by the state constitution from investing in equities. After the constitution was amended, the state government had to decide how much to invest in equities, and what assets to choose. Using domestic and international data, the concepts of standard deviation, correlation, covariance, diversification, and risk are introduced. The case also looks at the equity premium from a global setting. Introduces the concept of risk and return in capital markets. Illustrates benefits of portfolio diversification.
Tiffany & Co. – 1993	HBSP #295-047 12p TN #298-014	Global, retail jewelry, 1993	The restructuring of Tiffany's retailing agreement with Mitsukoshi Ltd. in 1993 exposed Tiffany to substantial yen/dollar exchange rate volatility that it had not previously faced. This new exposure requires Tiffany to establish risk management policies and practices. Management must determine whether to hedge, what the objective of hedging ought to be, how much exposure to cover, and what instruments to use. Introduces students to the problems of risk management in a relatively uncomplicated administrative situation.
Jaguar plc – 1984	HBSP #290-005 13p TN #290-034	United Kingdom, automobile, 1984	A vehicle for analyzing the exposure of operating cash flows to exchange rate changes. Considers the value of Jaguar plc at the time of its privatization and share offering in 1984. Jaguar is a major exporter from the United Kingdom and the United States is therefore exposed to changes in the dollar/sterling exchange rate. Students are asked to estimate the value of the company as a function of expected future exchange rates. Students may also be asked whether and how Jaguar's exposure should be hedged.
Chapter 11: Hedging, Insuring, and Diversifying			

The Harvard Management Co. and Inflation-Protected Bonds	HBSP #201-053 13p	Boston, 2000	In March 2000, the board of The Harvard Management Co. (HMC) approved significant changes in the policy portfolio determining the long-run allocation policy of the Harvard University endowment. These changes included a sharp reduction of the allocation to U.S. equities and U.S. nominal bonds, and a significant investment in the new U.S. Treasury Inflation-Protected Securities (TIPS). This case focuses on the analysis that led HMC management to recommend such changes to the board. Provides students with ample opportunities to discuss historical versus portfolio analysis, the Capital Asset Pricing Model, nominal and inflation-indexed bonds, the role of long-term bonds in the portfolio of long-horizon investors, and the organization of investment companies (benchmarking, compensation, external versus internal management, etc.).
The State of South Carolina	HBSP #201-061 31p TN #201-127	South Carolina, state government, 1998	Considers the managerial decision faced by the state's treasurer in 1998. Until recently, the South Carolina state pension fund (with over $17 billion in assets) was barred by the state constitution from investing in equities. After the constitution was amended, the state government had to decide how much to invest in equities, and what assets to choose. Using domestic and international data, the concepts of standard deviation, correlation, covariance, diversification, and risk are introduced. The case also looks at the equity premium from a global setting. Introduces the concept of risk and return in capital markets. Illustrates benefits of portfolio diversification.
Liability Management at General Motors	HBSP #293-123 18p TN #296-062	North America, automotive, 756,300 employees, 1992	An analyst at General Motors charged with managing the structure of the automaker's debt must decide whether and how to modify the interest rate exposure of the firm's most recent debt offering. The analyst must take into consideration GM's liability management policy guidelines, the firm's existing interest rate exposure, his expectations of interest rates, and the wide range of interest rate products available. He must decide whether to leave the fixed-rate instrument unchanged, or to enter into a swap, cap, interest rate option, or swap option transaction. Shows how a large industrial firm thinks about managing its liabilities. Students can analyze the policy decisions made by the firm and the method by which these policies are executed. Also introduces students to a wide variety of

			interest rate management instruments.
Goldman, Sachs & Co.: Nikkei Put Warrants – 1989	HBSP #292-113 16p #296-067	Global, investment banking, 1989	Japanese financial institutions' willingness to sell put options on the Nikkei Stock Average provides investment banks with the raw material from which to create a security that would allow U.S. investors to bet on falls in the Japanese stock market. The investment bank that seeks to create this new product must decide how to design, produce (hedge), and price the options (Nikkei Put Warrants). Highlights the global nature of new product development in the securities market and provides opportunities for students to make and critique the key decisions involved in creating this new product. Students must consider the costs of production, the preferences of consumers, competitive dynamics, and the pricing of substitutes for the new product.
Chapter 12: Choosing an Investment Portfolio			
Harvard Management Co. – 2001	HBSP #201-129 23p	Boston, university, 2001	Harvard Management Co. uses portfolio theory to help consider the asset allocation issues for its endowment.
The Harvard Management Co. and Inflation-Protected Bonds	HBSP #201-053 13p	Boston, university, 2000	In March 2000, the board of The Harvard Management Co. (HMC) approved significant changes in the policy portfolio determining the long-run allocation policy of the Harvard University endowment. These changes included a sharp reduction of the allocation to U.S. equities and U.S. nominal bonds, and a significant investment in the new U.S. Treasury Inflation-Protected Securities (TIPS). This case focuses on the analysis that led HMC management to recommend such changes to the board. Provides students with ample opportunities to discuss historical versus portfolio analysis, the Capital Asset Pricing Model, nominal and inflation-indexed bonds, the role of long-term bonds in the portfolio of long-horizon investors, and the organization of investment companies (benchmarking, compensation, external versus internal management, etc.).
The Risk of Stocks in the Long Run: Barnstable College Endowment	HBSP #296-073 4p	Massachusetts, university, 1996	The manager of the Barnstable College endowment is evaluating proposals to increase the endowment's exposure to stocks based on an analysis that shows stocks to be much safer over long holding periods. Allows students to explore the long-run riskiness of stocks.
V. ASSET PRICING			
Chapter 13: The Capital Asset Pricing Model			

Cost of Capital at Ameritrade	HBSP #201-046 24p TN #201-123	Omaha, NE, brokerage, 500 employees, 1997	Ameritrade Holding Corp. is planning large marketing and technology investments to improve the company's competitive position in deep-discount brokerage by taking advantage of emerging economies of scale. In order to evaluate whether the strategy would generate sufficient future cash flows to merit the investment, Joe Ricketts, chairman and CEO of Ameritrade, would need an estimate of the project's cost of capital. There is considerable disagreement as to the correct cost of capital estimate. There is also disagreement as to the type of business that Ameritrade is in. Students must estimate the cost of capital that Ameritrade should employ in evaluating the proposed large investments in marketing and technology. Uses the capital asset pricing model to estimate Ameritrade's cost of capital. Focus is on CAPM variables such as the risk free rate, market risk premium, and beta. Students will use regression analysis to directly calculate the beta estimates.
Lex Service PLC: Cost of Capital	HBSP #296-003 12p	United Kingdom, automotive, 1993	The Lex Service company has grown to become a large multidivisional company with a substantial capital budget. In 1993, the board was reviewing its capital budgeting procedures. Specifically, it sought to determine the company's cost of capital and whether it should use different hurdle rates for different divisions. Introduces practical techniques for estimating the cost of equity using CAPM, and designing discount rates appropriate for businesses of different risk.
Beta Management Co.	HBSP #292-122 5p TN #294-113	Investment management, 1991	A manager of a small investment company has been successfully using index funds for limited market timing. Growth has allowed her to move into picking stocks. She is considering two small and highly variable listed stocks, but is concerned about the risk that these investments might add to her "portfolio." Provides a lead-in to the CAPM. Students learn about total risk, non-diversifiable or portfolio risk, and (CAPM) beta; calculate variability of the stocks separately, and portfolio variance with and without the stocks, to see how an extremely risky (but low-beta) stock actually reduces risk; and calculate stock betas.
Marriott Corp.: The Cost of Capital (Abridged)	HBSP #289-047 10p TN #298-081	Hotels and restaurants, 1988	Gives students the opportunity to explore how a company uses the Capital Asset Pricing Model (CAPM) to compute the cost of capital for each of its divisions. The use of Weighted Average Cost of Capital (WACC) formula and the mechanics of applying it are stressed.

Chapter 14: Forward and Futures Prices			
Futures on the Mexican Peso	HBSP #296-004 22p	Mexico/U.S., financial services, 1995	The Chicago Mercantile Exchange needs to decide how to design, and whether and when to introduce, a futures contract on the Mexican peso.
Alcoma: The Strategic Use of Frozen Concentrated Orange Juice Futures	HBSP #595-029 40p	Global, orange juice, 1994	Increases in orange tree production led to an orange juice surplus. How does one manage price risk in the orange juice industry under these conditions?
Jaguar plc – 1984	HBSP #290-005 13p TN #290-034	United Kingdom, automobile, 1984	A vehicle for analyzing the exposure of operating cash flows to exchange rate changes. Considers the value of Jaguar plc at the time of its privatization and share offering in 1984. Jaguar is a major exporter from the United Kingdom and the United States is therefore exposed to changes in the dollar/sterling exchange rate. Students are asked to estimate the value of the company as a function of expected future exchange rates. Students may also be asked whether and how Jaguar's exposure should be hedged.
Chapter 15: Options and Contingent Claims			
Cephalon, Inc.	HBSP #298-116 18p	United States, biotech, 1997	In early 1997, Cephalon, Inc. awaited an FDA panel's decision on whether its drug, Myotrophin, would be approved. If the drug was approved, the firm might need substantial additional funds to commercialize the drug as well as to buy back rights to it (which had been sold earlier to finance its development). The firm's CFO is considering a variety of financing strategies, including buying call options on the firm's own stock and paying for these options by issuing shares at the current time. Introduces students to the use of equity derivatives as part of a risk management strategy, examines the application of cash-flow hedging in a corporate context, and examines the pricing of a derivative security with large jump risk.
Keller Fund's Option Investment Strategies	HBSP #295-096 5p TN #298-013	North America, investment, 1994	A closed-end mutual fund's decision to study option trading provides an opportunity to study the profit profile and pricing of multiple option investment strategies (e.g., buy a call, buy a put, write a call, buy stock-write call, etc.). This case is designed to provide students with an introduction to option pricing.
Arundel Partners: The Sequel Project	HBSP #292-140 19p TN #295-118	California, movies, 1992	A group of investors is considering buying the sequel rights for a portfolio of feature films. They need to determine how much to offer to pay and how to structure a contract with one or more major U.S. film studios. The case contains cash

			flow estimates for all major films released in the United States during 1989. These data are used to generate estimates of the value of sequel rights prior to the first film's release. Designed to introduce students to real options and techniques for valuing them. It clearly illustrates the power of option pricing techniques for certain types of capital budgeting problems. Also illustrates the practical limitations of such techniques.
MW Petroleum Corp. (A)	HBSP #295-029 18p TN #295-133	United States, petroleum, 1991	Amoco Corp. is negotiating to sell a wholly-owned subsidiary, MW Petroleum, to Apache Corp. MW owns large reserves of oil and gas comprising many properties at different stages of engineering, development, and production. The proposed acquisition is a large one for Apache, and poses several important financing and valuation problems. This is a comprehensive valuation case involving discounted cash flows, option pricing, and simulation techniques. Intended for advanced students in a second-year course.
VI. CORPORATE FINANCE			
Chapter 16: Capital Structure			
Debt Policy at UST, Inc.	HBSP #200-069 14p TN #201-002	Greenwich, CT, tobacco, 4,765 employees, 1999	UST, Inc. is a very profitable smokeless tobacco firm with low debt vis-a-vis other firms in the tobacco industry. The setting for the case is UST's recent decision to substantially alter its debt policy by borrowing $1 billion to finance its stock repurchase program. Provides an introduction to optimal capital structure with emphasis on calculation of interest tax shields.
Dixon Corp.: The Collinsville Plant	HBSP #298-165 15p	United States, chemicals	Dixon Corp. must value a plant and an associated project that it is considering buying. Provides students with a comprehensive but elementary valuation problem that can be analyzed using adjusted present value techniques.
Pioneer Petroleum Corp.	HBSP #292-011 5p TN #292-080	West Coast/Alaska, petroleum products, 1991	Pioneer is an integrated oil company. Its operations include exploration and development, production, transportation, and marketing. The case focuses on Pioneer's cost of capital calculations and its choice between a single company-wide cost of capital or divisional costs of capital. Provides students the opportunity to learn how to calculate a company-wide weighted average cost of capital. An appropriate measure of the cost of equity capital is presented so that students are able to challenge their understanding of key concepts by critiquing the company's measure and suggesting their own.

Acova Radiateurs	HBSP #295-150 12p TN #200-003	France, heating, 500 employees, 1990	In March 1990, Baring Capital Investors faced a decision about whether and how much to bid for Acova Radiateurs, a subsidiary of Source Perrier. Source Perrier had decided to sell Acova, and Baring Capital Investors thought it might make a good leveraged buyout candidate. Students have an opportunity to value Acova using the flows-to-equity technique, as well as to evaluate the merits of this technique relative to the valuation methodologies typically used by buyout firms.
American Home Products Corp.	HBSP #283-065 7p TN #292-060	New York, drugs and food products, 1981	American Home Products is a company with virtually no debt. Students are asked to analyze the company's debt policy and make a recommendation to the CEO. It is likely that adding debt to the capital structure would create some value for shareholders; the CEO is firmly against borrowing.
Chapter 17: Finance and Corporate Strategy			
Penelope's Personal Pocket Phones	HBSP #299-004 2p TN #299-070		Provides students with an opportunity to use simple real options analysis to value a startup. Penelope Phillips is deciding whether to start a company to make wireless phones. Students get experience using traditional discounted cash flow valuation and a real options approach.
Chase Manhattan Corp.: The Making of America's Largest Bank	HBSP #298-016 31p TN #298-127	New York/Global, banking, 75,000 employees, 1995	Chase Bank and Chemical Bank intend to merge, producing the largest commercial bank in the United States, and the fourth largest in the world. Projected financial benefits under the merger reflect significant planned reduction in operating costs, including 17,000 employee layoffs. Management also expects the merger to produce significant revenue increases as a result of increased economies of scale and scope, and other benefits of size and market leadership. The task of valuing the merger gains, negotiating an acceptable merger price, and implementing the post-merger restructuring is extremely complex. Provides an opportunity to value the financial benefits resulting from a bank merger; to understand the important link between corporate strategy and value creation in corporate restructuring; and to understand the issues that arise in negotiating and implementing a complex merger between two large institutions in an industry characterized by extreme change and uncertainty.
Humana, Inc.: Managing in a Changing	HBSP #294-062 19p	Louisville, KY, health care, 5,000 employees, 1992	Intensifying competition and change in the U.S. health care industry force a large integrated health care provider to reassess its strategy of

Industry	TN #294-130		operating both hospitals and HMOs. In an attempt to increase its stock price and operating performance, the company considers a number of alternative restructuring strategies for separating the two businesses, including a corporate spinoff. Illustrates how a company under financial stress can use a corporate spinoff to increase its stock market value and effect real improvements in its business. Also highlights the importance of choosing a financial restructuring strategy to fit the firm's underlying business or strategic problems.
Time Inc.'s Entry into the Entertainment Industry (A)	HBSP #293-117 21p TN #294-066	New York, communications, 1989	Richard Munro, Time Inc.'s chairman and CEO, must respond to a hostile tender offer from Paramount Communications. Paramount conditioned its bid on cancellation of Time's plans to merge with Warner Communications. Several months before the hostile Paramount bid, Time had announced its plans to merge with Warner after careful consideration of a comprehensive list of possible partners, including Paramount. The Board endorsed Munro's decision to merge with Warner because the two firms held a wide range of complementary assets. Munro must recommend a specific course of action to the Board at its emergency session. Written from the viewpoint of Time's managers. Should Time's managers resist the Paramount bid? This recommendation will compel students to evaluate Time's global strategy and the adequacy of Paramount's bid. Students must also consider the potential conflict between managers' self-interest and their desire to manage.
Pinkerton (A)	HBSP #291-051 6p TN #292-141	California, security guard service, 50,000 employees, 1987	A California based security guard firm considers the acquisition of another security guard company. The value of the target firm and the financing of the acquisition are the key issues.