

Finance
Course Number: 22:390:522
Course Title: Financial Management- Full Time

COURSE DESCRIPTION

This course is designed to provide managers with a foundation in the key concepts underlying the analysis and execution of financial decisions. The course will blend theory and practice.

COURSE MATERIALS

Textbook: *Corporate Finance*, 11th Edition, by Ross, Westerfield, Jaffe, and Jordan (“RWJJ”). ISBN 978-0-07-786175-9

Other: A financial calculator (I’ll be using the HP 10bII+ calculator in class)

LEARNING GOALS AND OBJECTIVES

Business knowledge. MBA graduates will have a command of business theory and practice.

Students will demonstrate:

- a. Mastery of fundamental business concepts and an ability to integrate and apply these concepts to resolve practical business problems.
- b. Proficiency in analyzing and interpreting numerical data to solve practical business problems.

In particular, students will

1. Learn fundamental concepts and tools for valuation of assets and financial products
 2. Study diversification and risk preferences and its impact upon personal and corporate investment choices
 3. Develop an understanding of modern portfolio theory and investments
 4. Obtain an understanding of how to use capital budgeting techniques to rank investment projects and learn about factors that determine how firms finance their operations
 5. Learn how to use the Financial Calculator and Excel to analyze and evaluate investment and corporate choices.
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PREREQUISITES

Since you are all FT MBA students, you will be taking the normal prerequisites for this course, Accounting for Managers and Managerial Economics during the semester. For those of you who have

never taken before a finance course, the material will be sometimes intense. I have been an instructor for over ten years, and I know that your success on my exam will not be high if you begin studying for the exams the night before or week of the exam. You must review the notes at least once a week and never start a new class without fully understanding the materials that have been already presented. If you are having difficulty, please come to my office hours.

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

FAIRNESS

I strive to treat students with dignity and fairness and to be particularly sensitive to the diversity that exists within the student body.

ATTENDANCE AND PREPARATION POLICY

Throughout the semester, I’ll occasionally ask random questions that will require your participation. The questions will be both quantitative and qualitative.

GROUP ASSIGNMENTS

Groups will be assigned randomly, *within your cohort*, before the first assignment, and will stay the same for all assignments. This experience will emulate a real-life situation when you do not get to choose your peers.

□ GROUP CASES

There will be four cases throughout the semester (5 points each), that will cover the course material. This is designed to help you with your job interviews, which are often case-oriented.

□ GROUP PROJECT

Toward the end of the course, you will be asked to analyze an article from the economic press using the tools you acquired in this class. This will help connect the academic material that we learn to real-life financial decisions (5 points).

CLASS COMMUNICATION

PowerPoint lectures, project descriptions, project data, class syllabus, and other printable materials will be available on Canvas. Often, we will solve problems and draw diagrams on the canvas; that will not be posted on Canvas. If you must miss a class, it is your sole responsibility to find out what was done that day, including administrative announcements.

All announcements (especially regarding the exams) will be posted on the course webpage. It is important that you check this page regularly. It is your responsibility to keep yourself informed of significant developments pertaining to the course. Please also enter your photo, email address, and any other required information to this web page.

EXAM DATES AND POLICIES

EXAMS:

Midterm:

Final Exam:

- The position of the midterm exams in the course outline is an indication of where within the material, exams will fall. However, the final determination of the scope of each exam will be made before each exam, based on our progress.
- The final exam is cumulative. All material covered in class is included. Please verify the date on the registrar's webpage the week before the final exams.
- Make-up exams will be given *only for family or medical emergencies*. Prior notice and hard evidence is required. There is no guarantee that the make-up exam will have the same level of difficulty and the same type of questions as the standard exam. If you miss the midterm exam, the grade portion of that exam will be cumulated to the grade portion of your final exam. That is, your final exam will be worth 75% (i.e., 25% +50%) of your grade instead of 50%.
- If you do better on the final than you do on the midterm, I will disregard the midterm exam score.

$$\text{Midterm score} = \max(\text{midterm score}, \text{final exam score})$$

This option rewards you for working hard throughout the semester.

- Grading is done on a *relative basis*; that is, your final grade will depend on where your overall score for the course will be in relation to your classmates in both sections. Please take note of the following grading policy that can be found at <http://www.business.rutgers.edu/full-time-mba>.

"The core courses are the building blocks upon which the rest of the MBA program stands. Our objective is to have students well prepared for their advanced courses and encourage and support high performance of our students. Therefore, the Department of Finance and Economics is recommending faculty teaching the core courses (Managerial Economics, Aggregate Economics and Financial

Management) to evaluate their students by using examinations and other assignments that are highly demanding so that they reveal the differential performance of students. To especially reward the good student, the Department of Finance and Economics has established the following grading policy for MBA core courses: The total of A's and B's awarded is not to exceed 75% of the total number of students taking the class. The A's may be awarded to no more than 25% of the class."

- You have my promise that I will not curve downward the class so that my grading adheres to the above policy, but it also means that my upward curve, if needed, will reflect the above policy.

Do I Have to Memorize Equations for the Exams?

No, you do not. The tests are closed-book, but you can bring in one 8 ½" x 11" page of notes (both sides) for the midterm and two 8 ½" x 11" pages of notes (both sides) for the final. No cell phone and/or other communication devices are allowed to be visibly available. You will be only able to bring your financial calculator to solve exam questions. Laptops and Ipads cannot be used for the exam.

COURSE REQUIREMENTS AND GRADING

Group Assignments	25%
Midterm exam	25%
Cumulative final exam	50%

There will be a class homework/projects, midterm, and final exam. The final score that determines your letter grade is based on the weighted average of the above components.

COURSE SCHEDULE

I. Introduction

- A. Financial Management
- B. Taxonomy of Financial Assets (from **RWJJ, Chapters 15, 20 and 26**)

II. Concepts and Applications of the Time Value of Money (RWJJ, Chapter 4)

- A. Discounted Cash Flow: Present Value and Future Value
- B. Annuities and Perpetuities
- C. Annual Percentage Return (APR) and Effective Annual Return (EAR)
- D. Loan Amortization
- E. Inflation

- CASE 1: The Present Value of an MBA Decision

III. Investment Criteria and Introduction to Capital Budgeting (RWJJ, Chapters 5 and 6)

- A. NPV, IRR and PI
- B. Discounting cash flows
 - a. Cash flows vs. accounting income
 - b. Sunk costs, opportunity costs, side effects
 - c. Depreciation, Net working capital, and salvage value
- C. Incremental cash flows and project valuation

CASE 2: The Baldwin Company Expansion Decision

IV. Security Valuation (RWJJ, Chapters 8 and 9)

- A. Bond Valuation
 - a. Annual and semi-annual bonds
 - b. Interest rate sensitivity
 - c. Bond Rating and default risk
- B. Stock Valuation
 - a. Gordon's Dividend Discount Model (DMM)
 - b. PE ratios

V. Risk and Return (RWJJ, Chapters 10 and 11)

- A. Measures of Return
- B. Measures of Risk
- C. Concept of Diversification and its role in portfolio construction
- D. Trade-off between Risk and Return: The Capital Asset Pricing Model

CASE 3: Risk, Expected Return and Beta

Midterm:

VI. Capital Structure, Capital Budgeting and Company Valuation (RWJJ, Chapters 13, 16, and 18)

- A. Cost of Capital – Revised
- B. The weighted average cost of capital (WACC)
- C. Capital budgeting with Debt
- D. Optimal Debt-Equity Mix
 - a. Modigliani and Miller Propositions I and II – No Taxes
 - b. Modigliani and Miller Propositions I and II – with Taxes

- CASE 4: Swan Motors Cost of Capital

VII. Capital Structure, Capital Budgeting – Additional Topics *

- A. Relaxing M&M Assumptions: agency costs and the pecking order theory
- B. Mergers and Acquisitions (M&A)
- C. Hedging and Capital Budgeting
 - a. Future and Forward Contracts
 - b. Hedging sales and costs

(*if time allows

Cumulative Final:

OFFICE HOURS

If you have questions, feel free to see me at my office. Please email me in advance so that we could schedule a time slot.

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek **religious accommodations**, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of **gender or sex-based discrimination or harassment**, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

If you are a military **veteran** or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of **mental health** services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of **physical health** services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of *legal* services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional *academic assistance*, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]