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. Topics covered include: time value of money, principles of valuation, measures of risk and return, concept of an efficient market and the capital asset pricing model, introduction to financial statement analysis, capital budgeting and how to evaluate firm’s investment projects, and financing investment projects, the role of leverage and its impact on the valuation and the risk of individual projects.

COURSE MATERIALS

I will provide detailed notes on blackboard that will basically serve as the text of the course. You will be required to download a Harvard Business Case (see page 3 of the syllabus) for a nominal fee. I do not require a textbook. However, if you feel you need a textbook, I recommend one of the following textbooks to buy:

1) Principles of Corporate Finance – by Richard Brealey, Stewart Myers and Franklin Allen, McGraw Hill Irwin
2) Fundamentals of Corporate Finance – by Stephen Ross, Randolph Westerfield and Jeffrey Jaffe, McGraw Hill Irwin

It is not necessary to buy the latest edition of the textbook. Any early edition will do. It is also important for you to purchase a financial calculator. I use the HP-12C, but the Texas Instrument financial calculators also do the job. However, you must read the manual of any financial calculator you buy so you know how to use it.

Requirements:

There will be a class homeworks/projects, midterm and final exam. The final average that determines your letter grade is based upon 25% homework/class projects and 75% exam average. Your exam average equals 2/3 times the final exam and 1/3 times your midterm. If you do better on the final then you do on the midterm, I will disregard the midterm exam score. If you have questions and you wish to see me, feel free to drop by my office. I am generally around every day except for the Jewish holidays.

Finally please take note of the following grading policy that can be found at http://www.business.rutgers.edu/finance-economics/academic-programs/mba-finance.
‘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 specially 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. For your information, this is my grading scale:

<table>
<thead>
<tr>
<th>Score Range</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>90 – 100</td>
<td>A</td>
</tr>
<tr>
<td>88 – 89</td>
<td>A-</td>
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<tr>
<td>85 – 88</td>
<td>B+</td>
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<td>80 – 84</td>
<td>B</td>
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<tr>
<td>78 – 79</td>
<td>B-</td>
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<td>75 – 77</td>
<td>C+</td>
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<tr>
<td>65 – 74</td>
<td>C</td>
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<tr>
<td>60 – 64</td>
<td>C-</td>
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<tr>
<td>50 – 59</td>
<td>D</td>
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<tr>
<td>&lt; 50</td>
<td>F</td>
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</tbody>
</table>
Course Syllabus

I. Introduction
   A. Concerns of the Personal Investor
   B. Concerns of the Chief Financial Officer

II. Concepts and Applications of the Time Value of Money
   A. Discounted Cash Flow: Present Value and Future Value
   B. Annuities and Perpetuities
   C. Internal Rate of Return
   D. Security Valuation: Stocks and Bonds
   E. Loan Amortization
   F. Annual Percentage Return and Effective Annual Yields

III. Risk and Return
   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
   E. Efficient Markets

IV. Introduction to Financial Analysis
   A. Financial Statements
   B. Financial Ratios

Case: Instructions and the case are provided in the notes

V. Capital Budgeting and Company Valuation
   A. Introductory Concepts:
      1. Valuation Methods (Payback, Average Return, NPV and IRR)
      2. Superiority of the NPV method
   B. Making Decision with the NPV Rule (Examples)
   C. Cost of Capital
   D. Cash Flows

Case: New Heritage Doll Company -- Cut and paste the website below to access the case. For this case, if they ask your course number, type 22:390:522:31 (regardless to which section you belong).
https://cb.hbsp.harvard.edu/cbmp/access/28273326

VI. Introduction to the Financing Decision
   A. Operating and Financial Leverage
   B. Factors Impacting upon the Optimal Debt-Equity Mix
   C. Empirical Evidence
   D. Corporate Bond Securities

Final Exam is on Monday, December 15th. There will be no makeup for an exam except for a documented medical emergency or family crisis.