COURSE DESCRIPTION

This course focuses on theories, applications and problem solving. It provides students with the theoretical background and analytical tools necessary for sound financial decision-making. Topics addressed include an introduction to corporate finance, financial statement analysis, capital markets, financial assets and their valuation, risk and return, capital budgeting, cost of capital, capital structure and funding, financial derivatives and hedging methods. The course is based on lectures with emphasize on problem solving and case analysis, and active student participation.

During this course, we will consider the answers to the following questions:

- What are financial markets and what assets are traded within these markets?
- What is value and how do we measure the value of assets?
- What are the issues surrounding financial decisions that corporations make?

The students will learn how to value assets (both assets traded in financial markets as well as those not traded in financial markets) using the three key ideas in finance to consider value. Namely:

- The time value of money;
- Diversification;
- Arbitrage.

The course is organized into four main topics as the first topic introduces finance and sets the stage for the final three topics, which are the three key ideas with which the values of assets can be determined.

COURSE MATERIALS

Required Text

1) HP12C or 10B or TI BAII Plus Calculator (know how to use it as we will NOT be teaching detailed calculator operations in this class.)


   - Online Purchasing
   - Online Store: https://store.turningtechnologies.com/ School Code: RUT2
• Please Note: You can purchase the clickers from other places such as Amazon the firmware on them may be out of date and it would be a process for you to go through with Turning Technologies to get it updated.

3) The Required Textbook for 29:390:329 Finance is a customized book published by McGraw-Hill. It consists of only the chapters you’ll be responsible for and packaged with a “Connect Plus“ Access Code. Connect is an online assignment and assessment tool you’ll utilize to complete homework assignments, practice problems, e-book and Learn Smart: an adaptive study tool all for 180 days. The Finance department has arranged with the publisher to offer you a couple of different purchasing options. As follows:

• Loose-leaf version:
  o Fundamentals of Corporate Finance : Rutgers Special Edition
    Author: Ross
    ISBN #: 978-007769876-8
    Publisher: McGraw-Hill

  o Or the Barnes & Nobel bookstore or New Jersey Books.

• Softback version:
  o Title: softback, Fundamentals of Corporate Finance : Rutgers Special Edition
    Author: Ross
    ISBN #: 978-007769874-4
    Publisher: McGraw-Hill

  o McGraw-Hill direct at the URL below:
  o Or the Barnes & Nobel Bookstore or New Jersey Books.

If you are lacking the funds to purchase the book as yet or if you’re not sure you intend to stay in the course, you can test drive the Connect software by selecting the “start free trial” option on the registration page. At the end of 3 weeks, the system will prompt you to enter a “Connect Registration Code # (from the new book package options) or if you have a used book you can register for “Connect” or “Connect Plus” (includes the ebook), which will each come with their own charge.

Blackboard Postings

There is a class website, where the syllabus, lecture notes, grades, and various reading materials will be posted. Please always check the class website at least a day prior to each class session: YOU ARE RESPONSIBLE for downloading all class materials, handouts, and readings for a session.
LEARNING GOALS AND OBJECTIVES

The Financial Management class will provide students the knowledge of major concepts and topics of finance. On successful completion of this course, students will be able to apply these concepts; and, most importantly, be able to think logically and systematically in financial terms. More specifically, student will:

1. Explain the Goal of Financial Management.
2. Compute the future value, present value and the rate of return on an investment.
3. Know the different types of bonds and understand the determinants of bond yields.
4. Understand the impact of inflation on interest rates and the term structure of interest rates.
5. Recognize the determinants of stock prices and be able to compute stock prices using the dividend growth model.
6. Understand how financial markets work and know the historical rate of returns and risks on various types of investments.
7. Calculate expected value and standard deviation of investment returns and understand the risk-return tradeoff.
8. Appreciate the impact of diversification and have a basic understanding of the systematic risk principle.
9. Know the various ways in which capital can be raised and determine a firm’s overall cost of capital.
10. Obtain a basic understanding of futures, forwards and options as far as how they work and when one might use them.

Performance Objectives

The basic objectives for students taking this class are:

- To gain an understanding of the different markets and of the various instruments traded on those markets.
- To have a working knowledge of fundamental finance theories, e.g., time value of money, diversification and arbitrage.
- To apply finance concepts to real finance problems.
- To be able to value assets.
- To become familiar with finance terminology.

Teaching Methodology

This course uses a combination of lecture about theoretical and practical topics, reading and case studies in order to expose students to the challenges faced in the finance field. Students are expected to be an active participant in this learning process by discussing theoretical topics, solving practical problems in and out the class and working in groups on your case studies. You are responsible for all activities and deadlines listed in this syllabus. Read it thoroughly and make note of important dates and deadlines.
Students are expected to do a considerable amount of readings for this class. Class meetings will be primarily devoted to discussion of the main issues that are addressed in the relevant textbook chapters, engage in problem solving designed to enhance the comprehension of the principles and their practical business applications.

This is a large class with many students. To promote better learning we were provided with TA’s who will conduct weekly recitation sessions. Attending the recitation sessions is highly recommended. The TA’s contact info will be posted on Blackboard.

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**Class Attendance and Participation**

**Attendance**

- It is the students' responsibility to attend class and obtain assignments, lectures, notes, etc., for the days missed. Failure to attend class regularly will seriously affect the student's ability to comprehend the material.
- As you can see from the schedule, we will be investigating a new topic at nearly every class, so it is critical that you come to class. Students are expected to be on time, to be prepared for class, and to take notes during class lectures. The instructor will only clarify the class lectures, not "re-lecture."
- Students are asked to show up for class on time. Repeated class disturbances will result in restricted admission.
- Students are asked to show courtesy to other students. All cell phones, pagers, IPods, MP3 and other electronic devices are to be turned off before class. Students will be asked to leave class if phones or other devices interrupt. Students who disturb classmates by talking during class will also be asked to leave.
- 10% will be deducted from any student’s grade if their cell phone rings during an exam. Repeated interruption from these items will result in the student being dismissed from the class. No student will be allowed to use a cell phone’s calculator feature during an exam.

**Laptops:**

- Laptop use is strictly permitted for class activities only, such as taking notes. You are not allowed to connect the laptop to networks such as Messenger, Yahoo Messenger, Skype, and should not be doing any non-class activities during class time. Students will be asked to leave the classroom if they fail to comply with this policy. If this becomes an ongoing problem, laptops will be forbidden from the classroom.

**Recording Devices:**

- Use of recording devices of any kind, either camera or voice recording is strictly forbidden. The dialogue and discussions that occur during class time are for the benefit of those who choose to attend. Students who miss class will have to rely on verbal descriptions and written notes that are gleaned from the students who attended the class.

**Clicker Use In Class:**

- Your participation in the clicker questions is a key way to improve learning in the large lecture hall. Clickers will be used to gauge understanding of reading material, support class discussions, provide understanding of new concepts and to review concepts of previously taught material.
• Clickers must be brought to each and every class. Each student must register their clicker in Blackboard. Instructions on how to register are provided on the course blackboard site.
• Participation Points: Participation points will be tracked and points will be awarded. If you forget your clicker, you will be marked as absent and will not receive participation points for that class. Clickers are used as a "formative assessment" so there is no penalty for incorrect answers.
• Technical problems: If you come to class and are having a problem with your clicker, let one of the TA’s know DURING that class. If your clicker stops working outside of class time, please contact helpdesk@business.rutgers.edu.
• Clickers and Academic Integrity: Entering answers from more than one clicker is considered academic misconduct. Using a clicker for someone else is equivalent to taking an exam for someone else and is cause for serious discipline. Any individual found with more than one clicker in any lecture will have the clickers confiscated. The serial numbers will be recorded before the clickers are returned. The students who have registered those serial numbers will receive a score of 0 for all clicker points for the semester and be referred to the appropriate academic misconduct process.
• Student Responsibilities:
  Register your clicker immediately
  Bring your clicker to each and every class
  Submit your answers to all clicker questions during class  Return the clicker at the end of the semester

Late Work Policy:
  • All work is due at 11:59 PM on the designated day listed in the Syllabus and in the Course Guide. NO LATE WORK WILL BE ACCEPTED. AN ASSIGNMENT IS CONSIDERED LATE IF IT IS NOT POSTED BY 11:59 PM ON THE DUE DATE, CONSEQUENTLY, A GRADE OF ZERO WILL BE ASSIGNED AT 12:00 MIDNIGHT.

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Grading

Midterm Exam 30%, Quiz 10%, Final Exam 40%, Assignments 10%, Class Performance 10%.

Class performance includes the following (Note that below requires class attendance throughout the semester):

1) Participation in class discussions,
2) Answering questions raised in class and/or directed to you, 3) Solving homework problems on the board, and 4) Presentation of assigned case studies.

The in-class exams are closed books but you may bring to the exam a one page formula sheet and would need a financial calculator. The exams are quite similar to the homework assignments.
Readings

Readings from the chapters will be assigned for each class. In addition, any additional readings or handouts may be assigned, and would be considered required. It is important to arrive to class having read the assigned chapter(s) and handout(s) on the day required. I reserve the right to call upon you during class to provide explanations or answers to questions. Please be aware that the degree of the student's preparation (or lack thereof) may be used to determine marginal grades.

Assignments

1. Two Cases from our textbook to be done by teams of up to four students (but not more), submit for grading (at the due dates indicated above) and be ready to present and discuss in class (per the above schedule + one class). The Cases are:

   a. The MBA Decision (Ch 6),
   b. S&S Goes Public (CH 15), and

2. End of Chapter Review and Self-Test Problems will be discussed in class.

3. Select end of chapter problems will be assigned as homework, select problems will be discussed in class. Solutions for all assigned problems will be posted on Blackboard

Academic Integrity

Rutgers University, in conjunction with the RBS Committee, has established an Honor Code that states:

“I pledge, on my honor, that I have neither received nor given any unauthorized assistance on this examination (assignment).”

(http://academicintegrity.rutgers.edu/integrity.shtml)

Rutgers strictly enforces the university rules on academic integrity “U The use of unauthorized material, communication with fellow students during an exam, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work is unacceptable to the University. It is often difficult to distinguish between a culpable act and inadvertent behavior resulting from the nervous tensions accompanying examinations. Where a clear violation occurs, however, the instructor may disqualify the student’s work as unacceptable and assign a failing mark on the paper.”
Course Outline & Schedule (by lecture number)

Since this class meets for three (3) hours at a time for fourteen (14) weeks with a break in the middle of each class period, the lectures have been divided into twenty eight (28) discrete segments. It is anticipated that the class will go through two (2) lectures in each three (3) hour class with a break between the two (2) lectures.

A.) Introduction & Background Material

1. Class Introduction, 9/3
   Review of Syllabus and Class Objectives using class notes

2. Introduction to Corporate Finance, 9/3
   Chapter 1 Introduction to Corporate Finance

3. Introduction to Financial Statements and Cash Flow, 9/10
   Chapter 2 Financial Statements, Taxes, and Cash Flow

4. Financial Statement Analysis, 9/10
   Chapter 3 Working with Financial Statements

5. Long-Term Planning, 9/17
   Chapter 4 Long-Term Financial Planning and Growth

B.) Time Value of Money

6. Valuation of Cash Flows, 9/17
   Chapter 5 Introduction to Valuation: The Time Value of Money

7. Discounted Cash Flows, 9/24
   Chapter 6 Discount Cash Flow Valuation

8. Bond Valuation, 9/24
   Chapter 7 Interest Rates and Bond Valuation

9. Stock Valuation, 10/1
   Chapter 8 Stock Valuation
   Mini Case Due: The MBA Decision (Ch 6)

10. Capital Budgeting Part 1, 10/1
    Chapter 9 NPV & Other Investment Rules

11. Capital Budgeting Part 2, 10/8
    Chapter 10 Making Capital Investment Decisions
12. Capital Budgeting Part 3, 10/8
   Chapter 11 Project Analysis and Evaluation

13. Time Value of Money Catch up and Review, 10/15

14. Course to Date Review, 10/15

15. In-class Midterm Exam, 10/22

C.) Diversification

16. Capital Markets Part 1, 10/22
   Chapter 12 Some Lessons From Capital Market History

17. Capital Markets Part 2, 10/29
   Chapter 12 Some Lessons From Capital Market History

18. Risk & Return Part 1, 10/29
   Chapter 13 Return, Risk and the Security Market Line

19. Risk & Return Part 2, 11/5
   Chapter 13 Return, Risk and the Security Market Line

20. Cost of Capital, 11/5 Chapter 14 Cost of Capital

21. Raising Capital, 11/12 Chapter 15 Raising Capital

22. Long Term Financing, 11/12
   Chapter 16 Financial Leverage and Capital Structure Policy

23. Dividends and Payout Policy, 11/19 Chapter 17 Dividends and Payout Policy
    Mini Case Due: S&S Goes Public (CH 15)

24. Diversification Catch up and Review, 11/19

25. Quiz, 12/3

D.) Arbitrage

25. Forwards Futures & Options Part 1, 12/3 Chapter 25
    Option Valuation

26. Forwards Futures & Options Part 2, 12/3 Class Notes

27. Forwards Futures & Options Part 3, 12/10
Class Notes

28. Course Review & Summary, 12/10 Class Notes

Final During Final’s Week