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: I will provide detailed notes on Canvas that will basically serve as the text of the course. 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
3) Lecture Notes in Introduction to Corporate Finance – by Ivan E. Brick, World Scientific

It is not necessary to buy the latest edition of the textbook. Any early edition will do. My textbook is available on Amazon for less than $45, and it will cover a bit more than my notes I am giving you for free. It is also important for you to purchase a financial calculator. I use the HP-12C and Texas Instrument BAII financial calculator. However, you must read the manual of any financial calculator you buy so you know how to use it.

LEARNING GOALS AND OBJECTIVES

Business knowledge. RBS undergraduate students 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 at analyzing and interpreting numerical data to resolve 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 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 Excel and the Financial Calculator to analyze and evaluate investment and corporate choices.

PREREQUISITES

Since you are all RBS students, you will be taking the normal prerequisites for this course, Managerial Accounting, Microeconomics. 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 40 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 see me, even if it means coming to see me on a weekly basis.

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.

REQUIREMENTS

There will be a class quizzes/assignments, midterm and final exam. The final average that determines your letter grade is based upon 25% quizzes/assignments, 25% midterm and 50% final. If you fail to take an exam, you will receive a zero for the exam unless you have a valid excuse (e.g., medical emergency, family emergency, religious observance) with appropriate documentation.

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 (both sides) for each quiz, two 8 ½” x 11” pages of notes (both sides) for the midterm and four 8 ½” x 11” pages of notes (both sides) for the final. No cell phone and/or other communication device are allowed to be visibly available.
Although you will be learning Excel commands, you will be only able to bring your financial calculator to solve exam questions. I am sorry, but since I cannot shut down the internet, laptops and Ipads cannot be used for the exam since I cannot ensure the exam’s integrity.

---

**GRADING POLICY**

Finally, please take note of the following grading policy.

*The core courses are the building blocks upon which the rest of the undergraduate business school 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 Financial Management course 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 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. For your information, this is my grading scale:

- 90 –100  A
- 88 – 89  A-
- 85 – 88  B+
- 80 – 84  B
- 78 – 79  B-
- 75 – 77  C+
- 65 – 74  C
- 60 – 64  C-
- 50 – 59  D
- < 50       F

---

**COURSE SCHEDULE**

**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

Quiz on Time Value of Money

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

Quiz on Risk and Return

Midterm:

IV. 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

Quiz on Capital Budgeting

V. 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:

SUPPORT SERVICES


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

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/.

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 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/.

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.
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.]