MGT 430 Managerial Finance
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Course Description

This course provides an overview of financial management and introduction to the basic concepts of financial theory. Financial tools discussed include capital budgeting and forecasting, present value analysis, dividend policy and working capital management. Issues of international financial management are also explored. Emphasis is placed on gaining an understanding of the major concepts of finance necessary for a manager to understand the financial process. Although the working of mathematical financial problems is part of the course it is not the primary focus. Being able to understand the meaning of the answers and their application is considered to be a very essential component of the class.

Course Objectives

At the end of this course, students are expected to be able to competently discuss, illustrate, and explain the following financial concepts:

1. The risk-return tradeoff or why we won’t take on additional risk without additional return.
2. The time value of money or why a dollar received today is worth more than a dollar received in the future.
3. Cash not profits is king or why cash flow and not profits is our measurement tool.
4. Only incremental cash flows are relevant in making business decisions.
5. The curse of competitive markets or why it is so hard to find exceptionally profitable projects.
6. Efficient capital markets or the values of all assets and securities at any instant fully reflect all available information.
7. The agency problem or why managers won’t work for the owners unless it is in their best interest.
8. Taxes bias business decisions.
9. All risk is not equal or some risk can be diversified away and some cannot.
10. Ethical behavior is doing the right thing and ethical dilemmas are everywhere in Finance.

**Materials of Instruction**


**Supplemental Materials:** The required text includes the answers to selected problems and has numerous “Can You Do It” and “Self-Test Problems” that are completely solved, throughout the text. This syllabus relies only on material contained in the required text and therefore, unless told otherwise by the instructor, supplemental materials are optional.

**Calculator:** A financial calculator is **not** required for this class and is not recommended. A simpler calculator that is not preprogrammed to solve financial problems is far more helpful in learning how to solve problems and understanding the meaning of the answers obtained. Remember, our goal is not to have you able to rapidly solve mathematical problems but to understand financial concepts.

**Grading**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Class participation</td>
<td>20%</td>
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<tr>
<td>Homework</td>
<td>20%</td>
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<tr>
<td>Exams</td>
<td>60%</td>
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Class participation includes attendance, coming on time, staying for the entire class, and active participation in class.
Homework will be largely graded on effort. You will most definitely not get all the answers correct but trying hard to solve every problem or question is expected.

**Ursuline College Assessment Project:** As part of the ongoing assessment project of Ursuline College all students taking Finance are required to complete a take home problem involving calculating and interpreting financial ratios and complete an in class net present value problem. This will be explained in more detail later in the module.

Four exams will be given, one each class beginning with class 2. Each exam is worth 15% of the final grade.

Note: Each instructor is free to determine the mix of in-class exam questions and take-home questions/assignments that the exams consist of. This mix may vary as the class progresses and the instructor adapts to the individual needs of each group of students. However, the assessment project guidelines *MUST* be followed.

**Note to the Instructor and Student**

This text was chosen because of its focus on ten key axioms of finance. They are referred to throughout the text and continually re-enforced. The syllabus refers to these concepts when a chapter has a particular focuses on one of them. The learning objectives listed at the beginning of each chapter are summarized and explained at the end of each chapter for
easy review. This allows the instructor an easy method of customizing the course by the deletion or addition of any of these objectives. The instructor’s manual has many questions that parallel those given at the end of each chapter. This affords the instructor the opportunity to give homework assignments that exactly match the knowledge, abilities, and skills required for the exams.

**Class Activities:** Class will consist of Mini-lectures by faculty, class discussions, and learning assessment.

### Assignments to be completed Prior to Class #1

NOTE: Answers to review questions that are to be turned in (not all will be turned in) need to be typed. Study problems to be turned in (again not all will be turned in) can be written longhand.

1. Read chapters 1, 2, 3, and 4.
2. Review and be able to discuss the following:
   - Chapter 1: Review Questions (RQ) 1,2,3,4, Write up #2 and hand in.
   - Chapter 3: Review Questions 1, 2, 3, and 6. Write up and hand in RQ #6.
   - Chapter 4: Review Questions 1, 2, and 4. Review self-test problems 1 and 2. (Answers at end of chapter) Write up and hand in RQ #2.

   Note: week 2 exam will cover chapters 1,2,and 3.

**Ursuline College Assessment Project:** Study problem 4-9 is to be completed and turned in at the third class meeting. The additional time is to allow a more thorough understanding of the material. Part a. can be written out in long hand but a spreadsheet is recommended. Parts b,c,d, and e. should be typed and be no longer than 1 page per part i.e. no more than 4 pages total. Remember that ratios are to be compared to peers and across time. The problem will be graded, returned to the student for review, and then turned in by the instructor to the UCAP office.

**Class #1**

**Objectives**

1. Gain an introductory knowledge of the 10 axioms of finance.
2. Complete the learning objectives for chapter 1. (Page 1)
3. Understand the determinants of interest rates. (Equation 2-1)
4. Complete the learning objectives for chapter 2.
5. Learn to apply ratio analysis as an evaluative tool.
6. Complete the learning objectives for chapter 3.
Activities

1. Discuss the course objectives, grading criteria and administrative matters. Mini-lectures over material as needed.
2. Group discussion of assigned questions for chapter 1. Although the instructor will lead the discussion and answer questions it is essential for the students to actively share their answers and insights.
4. Small-group exercise: the class will break into small groups and do problems assigned by the instructor. These problems will be very similar to the type required on the exam. This activity provides the students with the opportunity to give and receive help from fellow students with math or conceptual problems. The instructor is also free to circulate and when needed provide personalized instruction. Completed problems are shared with the class.
5. Group discussion of assignments for chapter 3.
   Optional: The instructor may wish to use a computer connected to the Internet to illustrate the resources readily available on the Internet for doing financial analysis. Yahoo provides information or links that makes obtaining the information needed for this type of analysis much easier.

Assignments to be Completed Prior to Class #2

1. Read chapters 5, 6 and 7.
2. Review and be able to discuss the following:
   Chapter 5: review questions 1, 2, 3, and 4. Self-test problems 1 and 2. Hand in answers to study problem 5-1 a and b, 5-4 a and b, 5-5 a and b, and 5-6 a and b.
   Chapter 6: review questions 1,2,3,4,5,6,7 and 8. Self-test problems 1 and 2. Write up RQ #2 and hand in.
   Chapter 7: review questions 1, 2, 3, 4, 5, 6, 7 and 8. Self test problems 1, 2, and 3.
   Write up RQ #7 and hand in.
   Note: week 3 exam will cover 4,5, and 6.
3. Complete take-home portion of exam, if assigned.

Class #2

Objectives

1. Gain an in depth understanding of the time value of money.
2. Complete the learning objectives for chapter 5.
3. Apply the concept of the time value of money to bond valuation.
5. Be able to recite and explain the three important relationships of bond valuation.
6. Apply the concept of the time value of money to the valuation of stock.
7. Complete the learning objectives for chapter 7.

Activities

1. Hand in any assigned homework/take-home exam
2. Take in-class portion of exam (if any)
   Small group exercise the class will break into small groups and do problems or answer
   questions assigned by the instructor. These problems/questions will be very similar to the
   type required on the exam. This activity provides the students with the opportunity to
give and receive help from fellow students with math or conceptual problems. The
instructor is also free to circulate and when needed provide personalized instruction.
   Answers are shared with the class.
5. Small group assignments. The instructor may wish to refer to current bond prices in
   the news and have the groups estimate the value of the bonds using the principles
   under discussion. Ask the groups to predict future interest rates and why.
7. Small group assignments. The instructor may wish to refer to a current stock in the
   news and have the groups estimate the intrinsic value of the stock using the principles
   under discussion.

Assignments to be Completed Prior to Class #3

1. Read chapters 8, 9, and 10.
2. Complete and be able to discuss the following
   Chapter 8: Review questions 1, 5, 6, and 8. Self-test problem 1. Write up RQ #8 and
   hand in.
   Chapter 9: Review questions 1, 2, 4, and 5. Self-test problem 2. Write up RQ#1 and
   hand in.
   Chapter 10: Review questions 1, 2, 4 and 6. Self-test problem 1.Write up RQ #4 and
   hand in. Note: IRR is very difficult to calculate without a computer/financial
   calculator so its calculation may be waived by the instructor.
   Note: week 4 exam will cover 7, 8, and 9.

Ursuline College Assessment Project: Please be aware that during class 4 the
instructor is required to give you a problem similar to ST 1 to complete in class but
only using the NPV method. The instructor will subsequently grade the problem,
allow the students to examine the graded problem, and then turn the graded problem
into the UCAP office. The student will only be allowed to use the tables from the
back of the book and will not be allowed to refer to the text of the book while completing the problem.

3. Complete take-home portion of exam, if assigned

Class #3

Objectives

1. Gain an in-depth understanding of the concept of risk and return.
2. Complete the learning objectives for chapter 8.
3. Apply the concept of risk and return to capital-budgeting.
5. Gain an in-depth understanding of the concept of incremental cash flows.

Activities

1. Turn in homework if assigned.
2. Complete in-class exam if assigned.
4. Small group assignment: The instructor may wish to have the students obtain a mutual fund summary statement that includes current stock holdings and discuss and compare different funds in terms of diversification. Should you diversify your holdings among different funds?
5. Group discussion of assignment for chapter 9 and 10.
6. Small group assignment: Each group will be given a comprehensive problem to solve and share. This is an opportunity to make sure everyone understands the math and concepts up to here.

Assignments to be Completed Prior to Class #4

1. Read chapters 11, 12 and 13.
2. Complete and be able to discuss the following.
   Chapter 11: Review Questions 1, 2, 3, 4, and 6. Write up RQ #4 and hand in.
   Chapter 12: Review Questions 1, 2, 3, and 16. Study problem 12-3 complete and hand in.
   Chapter 13: Review Questions 1, 2, 4, 6 and 13. Complete RQ #13 and hand in.
   Note: week 5 exam will cover 10, 11, and 12.
3. Complete take-home portion of exam if assigned.
Class #4

Objectives

1. Gain an understanding of the concepts underlying calculating the cost of capital.
2. Complete the learning objectives for chapter 11.
3. Apply the concepts of risk and return to determination of the financing mix.
4. Complete the learning objectives for chapter 12.
5. Complete the learning objectives for chapter 13.
6. Understand the relationship of “the agency problem” to dividend policy.

Activities

1. Hand in homework, if assigned.
2. Complete in-class exam, if assigned.
4. Small group activity: complete a comprehensive problem as assigned and share with class.
5. Group discussion of the issues of “the agency problem” and ethical behavior. These are very important issues that reflect ones values and beliefs. There is no mathematical formula that allows these issues to be resolved. Students are encouraged to bring real world situations and dilemmas to class for discussion.

Assignments to be Completed Prior to Class #5

1. Read chapters 14, 15, and 17.
2. Complete and be able to discuss the following:
   - Chapter 14: Review Questions 1, 2, and 4. Write-up RQ#4 and hand in.
   - Chapter 15: Review Questions 3, 6, and 13.
   - Chapter 17: Review Questions 1. Write up RQ#8 and hand in.
3. Complete take home portion of exam, if assigned. The instructor will determine the best format for determining the students understanding of the material covered in chapters 14, 15, and 16. However, it is suggested that a take-home test covering that material be given out at this time for hand-in at the end of the last class.

Class #5

Objectives

1. Apply the principles of risk and return to working capital management.
2. Complete the learning objectives for chapter 14.
3. Complete the learning objectives for chapter 15.
4. Appreciate the complexity of conducting international business.
5. Complete the learning objectives for chapter 17.

Activities

1. Turn in homework, if assigned.
2. Complete in-class exam, if assigned
3. Group discussion of assignments for chapters 14, 15, and 17.
4. Group discussion of international finance. Examples from current events should be introduced at this time.
5. Complete course evaluation
6. Turn in take-home exam, if assigned.