

Moravian College  
Department of Economics and Business  
**ECON/MGMT 231: Managerial Finance**  
Spring 2012 (T R 2:35-3:45)

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Office Hours: M W 2:00-4:00, and by appointment

**Prerequisites:** ECON 152, ECON 156, and ACCT 157

**Text:** Stephen Ross, Randolph Westerfield, and Bradford Jordan, *Essentials of Corporate Finance*, McGraw-Hill, 2011, 7<sup>th</sup> edition. Please bring it to class every day!

**Objectives:** This writing-intensive course is an introduction to all major long-term decisions facing a financial manager. You will

- Master time-value-of-money computations
- Use discounting to price bonds and stocks
- Evaluate the profitability of real projects and thus *capital budgeting* policy
- Determine the cost of capital and an appropriate *capital structure* policy
- Discuss *dividend* policy

**Requirements:**

**Homework** is due every time we finish a chapter or read an article. Doing homework is the best way to learn the material—and some homework problems are on the exams! Every typed and completed homework counts for 0.5% of your grade, up to 6%; it is not graded. I post answers to all HW on BB, and I review selected HW problems in class.

- On every HW, write the names of all people that assisted you or whom you helped.
- Turn in all HW before class time on the day it is due. I do not accept late HW.

Three **reading** assignments: Find a medium length economic **article** in a newspaper or magazine (from 2011/12) and print or Xerox it. If an article is too short or too simple, you will not earn full credit. An excellent source is *The Economist* at [www.economist.com](http://www.economist.com). Other good sources are *The Wall Street Journal* and *The New York Times*. Do not use blog entries as they do not constitute full articles. An article is due in class the Tuesday after each exam and must be related to the material that was covered on the exam. The late penalty is 10% per day. Each article is worth 1% of your grade. For another 1.5% of your grade, explain the article using what we have learned. Specific instructions along with an example will be posted on Blackboard.

A four-part **project**, worth 20% of your grade, will also be posted on *Blackboard*. You choose a company covered by *Value Line*. Then you use publicly available financial

information to describe (I) and evaluate (II) the performance of this company, compute its beta (III), and find its cost of capital (IV). See the course schedule for due dates.

There are three **exams** during the semester. Each exam has short and long questions, both of which require either calculations or verbal responses. (I provide all necessary formulas on a handout.) I also offer an optional final exam to replace your lowest exam grade. There are **no make-up exams**. If you miss one of the three exams, you must take the final exam. You are not allowed to use **phones** or **leave** the room during an exam. Doing so results in zero points on the exam.

Exam **dates**:           Exam 1:       February 9 (Thursday)  
                              Exam 2:       March 15 (Thursday)  
                              Exam 3:       April 19 (Thursday)  
                              Final Exam: May 4, 1:30 pm (Friday)

You must **keep** all materials (assignments and exams) that I have checked until you receive your final grade.

**Expectations:** Some of you may find finance challenging, but all of you can earn a good grade. For every hour of class time, you are expected to study an additional two hours. You must read the book, do the homework regularly, and study the homework assignments before each exam. I encourage you to see me during office hours, both alone and in groups. To ease your HW and exam preparation, I post lectures and assignments on *Blackboard*. Please check the site before each class!

**Grading:**           Articles..... 7.5%  
                              Homework..... 6.0%  
                              Project.....20.0%  
                              Three exams.....66.5%

**Grading Scale:**

100+	A+	93 - 100: A	90 - 92.99: A-	
87 - 89.99:	B+	83 - 86.99: B	80 - 82.99: B-	
77 - 79.99:	C+	73 - 76.99: C	70 - 72.99: C-	
67 - 69.99:	D+	63 - 66.99: D	60 - 62.99: D-	00 - 59.99: F

I **curve** the exams unless half the class earns As and Bs.

**Attendance Policy:**

I urge you to come to class regularly! Attendance does not enter your grade directly, but it matters indirectly. You will get a better sense of what is important. Listening to lectures and reading the text reinforce one another. Moreover, attendance allows you to participate and to learn from your classmates.

## Academic Honesty Policy:

I encourage you to study in groups and to discuss all homework, but you must write your own answers **and** the names of all students in the study group on your homework. If you copy from the web, existing handouts, or other students, or if you let another student copy from you, you will receive **zero** for the whole HW assignment or exam. Note that the punishment is the same for both parties. In case of HW, I offer this advice: If a student asks you for a copy of your HW, do not give it to him/her. Be nice and agree to offer verbal help.

Beware of **plagiarism**! If you are:

- Lifting phrases (**three** words or more) from a printed medium or the web, use quotations marks and cite the source properly. For example, “[c]orporate **finance** is an area of [finance](#) dealing with the financial decisions [corporations](#) make and the tools and analysis used to make these decisions. The primary goal of corporate finance is to [maximize corporate value](#) while reducing the firm's financial [risks](#).” [http://en.wikipedia.org/wiki/Corporate\\_finance](http://en.wikipedia.org/wiki/Corporate_finance)
- Lifting words from the **textbook** (including definitions), use quotation marks and provide the page number. You do not need a full citation in this case.
- Providing **figures**, you must cite a source. For example: Labor productivity in Africa is growing at 2.7% annually (*The Economist*, 12-01-2011, p. 82).
- Changing **a few words** in the original and reporting it as your own work, stop! You are plagiarizing.

If you do not follow the above rules, you will get **zero** for the HW or assignment.

## Schedule:

Week of:	Topics	Text
Jan. 16	Introduction to Financial Management Sushi Economy Financial Statements & Taxes Tax Articles (see below)	Chapter 1 Issenberg, Chapter 1 Chapter 2 <i>New York Times</i>
Jan. 23	Working with Financial Statements Time Value of Money	Chapter 3 Chapter 4
Jan. 30	Discounted Cash Flow Valuation Project I (2-2-12)	Chapter 5
Feb. 6	Review Exam 1 (2-9-12)	Chapters 1-5 Chapters 1-5
Feb. 13	Article 1 (2-14-10) Interest Rates and Bond Valuation	Chapter 6

Feb. 20	Equity Markets and Stock Valuation Dividends Investment Criteria	Chapter 7 Chapter 14-parts Chapter 8
Feb. 27	Investment Decisions Project II (3-1-12)	Chapter 9
March 5	Spring Break	
March 12	Review Exam 2 (3-15-12)	Chapters 6-9 Chapters 6-9
March 19	Article 2 (3-20-12) Capital Market History	Chapter 10
March 26	Risk and Return	Chapter 11
April 2	The Cost of Capital Project III (4-5-12)	Chapter 12
April 9	Leverage and Capital Structure "Making a Success of Failure" Dividend Policy	Chapter 13 <i>Economist</i> , 1-9-10 Chapter 14
April 16	Review Exam 3 (4-19-10)	Chapters 10-14 Chapters 10-14
April 23	Project IV and Article 3 (4-24-10) Review	Chapters 5, 8, 12, and 13
May 4	Final Exam (1:30 pm)	Chapters 5, 8, 12, and 13

You are responsible for following all rules stated on this syllabus

The syllabus is subject to change

Sasha Issenberg:

[http://books.google.com/books?id=Xm5H\\_tRsgWcC&pg=PA9&lpg=PA9&dq=sushi+economy+MacAlpine+Okazaki+Griffin&source=bl&ots=CtaeMx9qrW&sig=F7chPA5qScpOsK6asyRppvPvJmY&hl=en&ei=c9NUS\\_T0KcnfIAel2YDjCA&sa=X&oi=book\\_result&ct=result&resnum=1&ved=0CAcQ6AEwAA#v=onepage&q=&f=false](http://books.google.com/books?id=Xm5H_tRsgWcC&pg=PA9&lpg=PA9&dq=sushi+economy+MacAlpine+Okazaki+Griffin&source=bl&ots=CtaeMx9qrW&sig=F7chPA5qScpOsK6asyRppvPvJmY&hl=en&ei=c9NUS_T0KcnfIAel2YDjCA&sa=X&oi=book_result&ct=result&resnum=1&ved=0CAcQ6AEwAA#v=onepage&q=&f=false)

David Kocieniewski: "U.S. Business Has High Tax Rates but Pays Less," *NYT*, May 2, 2011. <http://www.nytimes.com/2011/05/03/business/economy/03rates.html>

Uwe Reinhardt: Who Ultimately Pays for the Corporate Income Tax? July 23, 2010  
[www.economix.blogs.nytimes.com](http://www.economix.blogs.nytimes.com)