

Moravian College
Department of Economics and Business
ECON/MGMT 231: Managerial Finance
Spring 2013 (T R 2:35-3:45)

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Office Hours: T R 4:00-5:00, F 1:00-3:00, 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, 7th edition. Please bring it to class every day!

Objectives: This writing-intensive course is an introduction to the two 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
- Strengthen liberal education (Who is Evariste Galois?)

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 recent, medium-length economic **article** related to the class material. Excellent source are *The Economist* and major newspapers, such as *The Wall Street Journal* and *The New York Times*. The articles and their analyses are due in class the Tuesday after each exam and must be related to the material that was covered on the exam; they are worth 2.5% of your grade and rewriting them counts for another 0.5%. The late penalty is 10% per day for both drafts. Specific instructions along with an example will be posted on Blackboard.

A **short paper**, on a topic of your choice, such as issues of corporate governance in USA, counts for 5% of your grade. The outline or rough draft is due on March 18; the final draft is due on April 11; instructions to follow.

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. (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 7 (Thursday)
Exam 2:	March 14 (Thursday)
Exam 3:	April 18 (Thursday)
Final Exam:	May 3, 8:30 AM (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:

Homework.....	6.0%
Articles.....	9.0%
Short paper.....	5.0%
Project.....	20.0%
Three exams.....	60.0%

Grading Scale:

	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 has a large impact indirectly. It allows you to participate, learn from your classmates, and get a better sense of what is important. Moreover, the lectures and the text reinforce one another

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 work in groups, acknowledge it and provide the same answers, the whole group shares one credit.

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 quotation 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
- 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: “The Federal Reserve on Wednesday agreed to keep a key short-term rate near zero until the 7.7% unemployment rate is 6.5% or lower.” (<http://www.usatoday.com/story/money/business/2012/12/12/fed-buys-treasuries/1762459/>).
- 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.

Special Accommodation:

Students who wish to request accommodations in this class for a disability should contact Elaine Mara, assistant director of learning services for academic and disability support at 1307 Main Street, or by calling 610-861-1510. Accommodations cannot be provided until authorization is received from the Academic Support Center.

Schedule:

<u>Week of:</u>	<u>Topics</u>	<u>Text</u>
Jan. 14	Introduction to Financial Management Financial Statements & Taxes	Chapter 1 Chapter 2
Jan. 21	Working with Financial Statements Time Value of Money	Chapter 3 Chapter 4
Jan. 28	Discounted Cash Flow Valuation Project I (2-1-13)	Chapter 5
Feb. 4	Review Exam 1 (2-7-13)	Chapters 1-5 Chapters 1-5
Feb. 11	Article 1 (2-12-13) Interest Rates and Bond Valuation	Chapter 6
Feb. 18	Equity Markets and Stock Valuation Dividends Investment Criteria	Chapter 7 Chapter 14-parts Chapter 8

Feb. 25	Investment Decisions Project II (2-28-13)	Chapter 9
March 4	Spring Break	
March 11	Review Exam 2 (3-14-13)	Chapters 6-9 Chapters 6-9
March 18	Article 2 (3-19-13) Capital Market History Paper outline or rough draft (3-21-13)	Chapter 10
March 25	Risk and Return	Chapter 11
April 1	The Cost of Capital Project III (4-4-13)	Chapter 12
April 8	Leverage and Capital Structure <u>Making a Success of Failure</u> Short paper (4-11-13)	Chapter 13 <i>Economist</i> , 1-9-10
April 15	Review Exam 3 (4-18-13)	Chapters 10-13 Chapters 10-13
April 22	Project IV and Article 3 (4-23-13) Review	Chapters 5, 8, 12, and 13
May 3	Final Exam (8:30 AM)	Chapters 5, 8, 12, and 13

You are responsible for following all rules stated on this syllabus

The syllabus is subject to change