

MANAGERIAL FINANCE – MBA 621
Spring, 2010
PROF. JOHN ZIETLOW, D. B. A., CTP
MITCHELL HALL # 203 ▪ TUES. 6:00 P.M.-10:00 P.M. (1/5 – 2/23)

TEXT: Smart, Scott, Megginson, William, and Gitman, Lawrence. (Custom Paperback 1st Edition, 2006). Corporate Finance. (The customized paperback edition, the cover incorrectly says “2e”). Publisher: Thomson/South-Western, Mason, OH. If you bought a used book without the CD and pin code for web access, you may buy the access code if you purchase a used textbook and did not get the CD – go to <http://smartfinance.swcollege.com/> and click on Purchase icon to purchase web access for \$29.95).

IMPORTANT NOTE: READ CHAPTERS 1 AND 2 AND E-MAILED READINGS PRIOR TO WEEK 1 CLASS (BY January 5). ALSO COMPLETE 1 ½ PAGE SINGLE-SPACED OR 3-PAGE DOUBLE-SPACED MEMO RELATED TO THE E-MAILED SUPPLEMENTAL READINGS TO TURN IN NIGHT 1.

OTHER REQUIRED MATERIALS: Financial calculator: Hewlett Packard *10-BII* or similar. May be available at Wal-Mart; if not, you can get it through walmart.com or Office Max or Staples should have it. Approximate price: \$30-\$35.

CATALOG DESCRIPTION:

An analysis of the policies, procedures, and problems involved in obtaining and managing funds for a corporation (3 hours).

I. PURPOSE

This course is designed to assist the student in building a conceptual framework with which to make prudent financial decisions in their jobs, personal financial planning, and church financial planning.

II. OBJECTIVES

A. General Behavioral Objectives

This course seeks to:

1. Introduce the student to the functional area of finance while integrating the global and multicultural perspective.
2. Assist the student in developing a conceptual framework upon which to base financial management decisions.
3. Assist the student to achieve a working knowledge of techniques for analyzing financial data, for purposes of managerial decision-making.
4. Provide an integration of one’s faith with the finance function.

B. Specific Behavioral Objectives

As a result of the activities and study in this course, the student should be able to do the following:

1. Understand the goals and functions of the financial manager.
2. Understand the time value of money and the implications thereof to risk, rates of return, and value.
3. Analyze and control cash flow.
4. Utilize the basic tools of finance (e.g. horizontal analysis, vertical analysis, ratio analysis, and sources and uses of funds analysis) in analyzing a company to provide solutions for identified problems.
5. Implement capital budgeting techniques in making capital expenditure decisions.
6. Utilize the concept of cost of capital in making investment decisions.
7. Analyze sources available for personal and business organization financing.
8. Understand the application of ethics to financial decisions and that the Christian financial manager’s approach to his/her responsibilities will differ from that of the non-Christian manager.

III. TOPICS TO BE COVERED

- A. The Scope of Corporate Finance
 - 1. What is Corporate Finance?
 - 2. Goals of the Corporate Financial Manager
 - 3. Ethical Aspects of Financial Decisions
- B. Financial Statement and Cash Flow Analysis
 - 1. Financial Statements
 - 2. Cash Flow Analysis
 - 3. Analyzing Financial Performance Using Ratio Analysis
- C. Present Value
 - 1. The Theory of Present Value
 - 2. Future Value and Present Value of a Single Sum
 - 3. Present Value and Future Value of Cash Flow Streams
 - 4. Special Applications of Time Value
- D. Bond and Stock Valuation
 - 1. Valuation Fundamentals
 - 2. Bond Valuation
 - 3. Stock Valuation
- E. Risk and Return
 - 1. Risk and Return Fundamentals
 - 2. Basic Risk and Return Statistics
 - 3. Risk and Return for Portfolios
 - 4. Systematic and Unsystematic Risk
- F. Risk and Return: The CAPM and Beyond
 - 1. Efficient Risky Portfolios
 - 2. Risk-Free Borrowing and Lending
 - 3. Equilibrium and the Market Portfolio
 - 4. The Capital Asset Pricing Model (CAPM)
 - 5. Empirical Evidence on the CAPM
 - 6. Alternatives to the CAPM
 - 7. The Current State of Asset Pricing Theory
- G. Capital Budgeting Process and Techniques
 - 1. A Capital Budgeting Problem
 - 2. Payback Analysis
 - 3. Accounting-Based Methods
 - 4. Net Present Value (NPV)
 - 5. Internal Rate of Return (IRR)
 - 6. Profitability Index (PI)
 - 7. Which Techniques Do Firms Actually Use?
- H. Cash Flow and Capital Budgeting
 - 1. Types of Cash Flows
 - 2. Cash Flows for Classicaltunes.com
 - 3. Cash Flows, Discounting, and Inflation
 - 4. Special Problems in Capital Budgeting
- I. Market Efficiency and Modern Financial Management
 - 1. What is an Efficient Financial Market?
 - 2. Empirical Evidence on Market Efficiency
 - 3. The Behavioral Finance Critique of Market Efficiency
- J. An Overview of Long-Term Financing
 - 1. The Basic Instruments of Long-Term Financing
 - 2. The Basic Choices in Long-Term Financing
 - 3. The Role of Financial Intermediaries in Funding Corporate Investment
 - 4. The Expanding Role of Securities Markets in the Global Economy
 - 5. Law and Finance: The Importance of Corporate Governance

- K. Strategic and Operational Financial Planning
 - 1. Overview of the Planning Process
 - 2. Planning for Growth
 - 3. Planning and Control

IV. INSTRUCTIONAL PROCEDURES

- A. Content Presentations and Videos
- B. Class Discussion
- C. Case Example (Excel-based) - Church Loan Case Study
- D. Course Project
- E. Homework Assignments
- F. In-class Practice Exercises

V. RESPONSIBILITIES OF THE STUDENT:

- A. Read assigned materials
- B. Complete individual ratios in Excel for course project company and work cooperatively in group on project and presentation on same company

VI. EVALUATION

A. Grading components and scale

The various course assignments will count in the following percentages toward the final course grade:

Examinations (3)	60.0%
Course project (group, but scores can vary)	25.0%
Excel Ratios	10.0%
Faith-Based Organization Memo (due Night 1)	5.0%
Church Loan Case Study	0%
<i>but latter has questions on the final exam.</i>	

Course grades will be based on the following scale:

<u>Percentages:</u>	<u>Grade:</u>
93-100	A
90-92	A-
87-89	B+
83-86	B
80-82	B-
77-79	C+
70-76	C
Less than 70	F

B. Grade release policy

Grades will not be released to any person other than the student, nor will grades be released over any communication device. Furthermore, grades will not be shared with students except when assignments and exams are returned to the class.

C. Examinations 60.0%: Three examinations will be given during the semester, including the final exam at the end of the term, and these must be taken at the announced times. It is expected that all students will take all exams on the nights administered.

Examinations not taken at designated times will receive a score of 0 unless the student pre-notifies the instructor of the reason for absence and gets instructor approval for that miss. If a student gets instructor pre-approval, the following policy is implemented:

The student must arrange with the instructor for taking a make-up exam.

Any student not taking the exam or the make-up for any of the exams will be asked to drop the course or receive a 0 for one of those exams, regardless of the reason(s) for the misses. Again, if the student is unable to take the scheduled exam s/he must notify the instructor prior to the test date and get the instructor's approval.

D. Course Project 25.0%: Application of tools, techniques, and concepts learned in the classroom is crucial. Therefore, each student must do a full-blown company financial analysis as well as a small-scale industry analysis as part of a group. You will receive an individual grade that will be partly based on your group grade, partly based on your oral presentation and ability to answer questions in the Q&A, and partly based on the peer evaluations done by your fellow group members. (Early group process lack of participation for an individual member is grounds for dismissal from the group and re-assignment to an individual analysis.) All group papers must be mathematically and grammatically correct, correctly documented according to APA or another standard format, properly typed and formatted and professional in appearance (neatness counts!). You may follow the APA, Chicago, or MLA style writing manual.

IT IS ASSUMED THAT STUDENTS WILL MAINTAIN AN ELECTRONIC COPY OF THE TERM PROJECT AND PRESENTATION SLIDES.

E. Excel Financial Ratios 10.0%: Items included in consideration are values and formulas correctly done in Excel for the assigned ratios assignment. Homework will be graded. Some of this assigned homework may be web-based problems.

F. Faith-Based Organization (FBO) Memo 5.0%: 1 ½ page single-spaced memo written based on three articles (along with background reading in Chapters 1 & 2 of textbook). This is due at the beginning of the first class night.

VII. ATTENDANCE POLICY

Class attendance is extremely important. In each MBA course, one excused absence is permitted without any course-grade penalty, as long as the absent student fulfills all the course requirements specified by the instructor. No additional absences are permitted in this course.

VIII. OFFICE INFORMATION

- A. Office Hours: MWF – Times TBA.
- B. Location: Mitchell Hall, 200A (second floor).
- C. Telephone: Office: 330-471-8190 (leave voice mail if no answer)
- D. Email (send to both): jzietlow@malone.edu
and: jzietlow@aol.com
- E. Web pages: Online Syllabus, Course Schedule, and Handouts:
<http://www.johnzietlow.com> (then scroll down & click on **MBA Corporate Finance**);
Ethics readings are posted on Malone Courses Share (R:) drive, so access them on campus early in the course or you can access them after login through “Remote Access.”

IX. READING LIST

A. Required –Textbook and Two Supplemental Readings (plus the three readings sent with the “Night 1 Memo” assignment)

Reading #1: Gordon Donaldson, “Strategy for financial emergencies”, Harvard Business Review (November/December 1969): 67-79.

1. Select OhioLINK Resources from the Malone Library Website (<http://www.malone.edu>)
2. Click “Find articles and more with OhioLINK databases”
3. Select “B” under Listed by Name and go to Business Source Premier
4. Enter this string: “strategy for financial emergencies” and Harvard into the search box
5. The article title will appear with a link to the PDF full-text.

Reading #2: Graham, John R., and Campbell R. Harvey, 2001, “The theory and practice of corporate finance: Evidence from the field”, Journal of Financial Economics 60, 187-243.

1. Select Electronic Journal Center from the Malone Library Website (<http://www.malone.edu>)
2. Under “Journals by Title” go to “J” and then the Journal of Financial Economics
3. Scroll down to volume 60 and click on “Issue 2/3”
4. Article is the second listed title on the page. Click on PDF for full-text.

- B. SMART Finance software (CD comes with new book, or get PIN code and access online)
- C. Supplemental Bibliography N/A.

X. 504 STATEMENT: Malone University is committed to the provision of reasonable accommodations for students with disabilities, as defined in Section 504 of the Rehabilitation Act of 1973. If you believe you may qualify for these accommodations, notify your instructor immediately.

XI. ACADEMIC INTEGRITY:

Malone University has an academic integrity policy, which is incorporated here by reference. Academic integrity is that part of personal integrity which encompasses all activities in the learning process. It is the consistent demonstration of honorable behavior in all academic endeavors. Copies of the Malone University Academic Integrity Policy are available in the Academic Schools and online. Students are responsible for being aware of and complying with the expectations of the policy. Especially important for our purposes are these two aspects of integrity: (1) no information may be used from another source without proper citation, including paraphrased material; and (2) no information may be used from any prior student that has taken this class, and any assignment that is not explicitly stated in the assignment to be a “group project” is assumed to reflect only the work of the individual student.