The Cameron School of Business at University of St. Thomas

1. Course Information

<table>
<thead>
<tr>
<th>COURSE TITLE</th>
<th>Financial Management</th>
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<tbody>
<tr>
<td>COURSE NUMBER</td>
<td>FINA 5318</td>
</tr>
<tr>
<td>COURSE SECTION</td>
<td>NA</td>
</tr>
<tr>
<td>CREDITS</td>
<td>3 hours</td>
</tr>
<tr>
<td>SEMESTER</td>
<td>Spring 2018</td>
</tr>
<tr>
<td>PREREQUISITES</td>
<td>5x04</td>
</tr>
<tr>
<td>ROOM</td>
<td>Robertson 213</td>
</tr>
<tr>
<td>DAYS &amp; HOURS</td>
<td>MW: 5:30-6:45</td>
</tr>
</tbody>
</table>

2. Instructor Information

<table>
<thead>
<tr>
<th>NAME:</th>
<th>Joe Ueng, Ph.D., CFA</th>
</tr>
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<tbody>
<tr>
<td>OFFICE LOCATION:</td>
<td>Welder Hall, Room 225</td>
</tr>
<tr>
<td>OFFICE PHONE</td>
<td>713-525-2114</td>
</tr>
</tbody>
</table>
| OFFICE HOURS:       | Monday: 3:00--5:30 p.m.  
                       | Wednesday: 1:00--5:30 p.m. |
| FAX NUMBER:         | 713-525-2110         |
| E-MAIL:             | ueng@stthom.edu      |
3. Course Catalog Description

The purpose of this course is to provide the student with a comprehensive study of the core concepts of financial management. Topics include financial performance evaluation, asset valuation, capital budgeting, risk and return in the context of the capital asset pricing model, capital structure theory, dividend policy, short-term financial planning and budgeting, and long-term financial planning and forecasting. The course introduces the student to corporate financial responsibilities and the methods required to effectively meet these responsibilities. Students are required to perform case analyses or written projects.

The course is taught using a discussion and problem-solving approach: We will discuss each assigned chapter and solve the end-of-chapter assigned problems in class together. Student participation during the lectures is strongly encouraged. Student-instructor interaction makes classes more interesting and also allows students to contribute to the knowledge of their classmates by bringing their own experience as well as their professional and academic knowledge into the classroom. In addition, examples students mention in class can supplement and add interest beyond the examples the instructors introduces.

Regardless of the extent of your participation in class discussion, you must solve the end-of-chapter problems to deepen your knowledge of the concepts covered in this class and to test how well you have understood the material presented in the chapter. Learning this material requires practice. Solving the problems is an essential step in the learning process. The types of problems following each chapter are self-test problems, and minicases. The assignments include problems of each type (see list of symbols below) and also supplemental problems which I have prepared and post on Blackboard.

4. Program Learning Goals

The Masters of Business Administration (MBA) program has six goals. When students complete the MBA degree at the University of St. Thomas:

**Goal 1. They will be effective communicators.**
- Objective 1: Graduates will deliver a compelling oral presentation.
- Objective 2: Graduates will write professional quality documents.

**Goal 2. They will be effective team members.**
- Objective 1: Graduates will demonstrate appropriate group techniques to participate in a team task that results in effective performance.
- Objective 2: Graduates will demonstrate effective leadership skills in a group project.
Goal 3. They will be ethical decision makers.
- Objective 1: Graduates will recognize the ethical issues implicit in a business situation.
- Objective 2: Graduates will describe and use ethical frameworks applicable to business situations.
- Objective 3: Graduates will develop a variety of ethical alternatives for resolving or at least addressing, a problem in business.

Goal 4. They will be globally aware.
- Objective 1: Graduates will perform a global business situation analysis.
- Objective 2: Graduates will formulate global business strategy.
- Objective 3: Students will evaluate global business strategy.

Goal 5. They will be able to integrate knowledge across multiple business disciplines.
- Objective 1: Graduates will identify business problems and opportunities that result from factors internal and external to the organization.
- Objective 2: Graduates will apply quantitative and qualitative techniques from the different business disciplines to address problems and opportunities.

Goal 6. They will be knowledgeable about multiple business disciplines

MSF (Master of Science in Finance) Program Learning Goals

The Masters of Science in Finance) has six goals.
When students complete the MSF degree at the University of St. Thomas:

Goal 1. Core of Finance Knowledge
MSF graduates will be knowledgeable in the critical areas in the field of Finance. Graduates will:

- demonstrate competency in the key fields of Corporate Finance, Investments, Banking and Financial Institutions, Risk Management, and International Finance when they apply the knowledge in the required courses to solve Finance problems.

Goal 2. Analytical and Critical Thinking Skills
MSF graduates will be analytical and critical thinkers. Graduates will:

- Objective 1: demonstrate skills in analyzing financial reports
- Objective 2: identify and evaluate complex financial problems by integrating the skills learned in the core Finance area.
Goal 3: Ethical Awareness
MSF graduates will anchor financial aspects of business activities in ethics and human values. Graduates will be able to:

- Objective 1: identify and apply principles of ethical leadership and accountability as applicable to the financial aspects of business decisions
- Objective 2: assess workplace behaviors and financial aspects of business decisions in terms of human values, ethical norms, and societal impact.

Goal 4: Global Awareness
MSF graduates will be aware of global influences on financial decision-making. Graduates will be able to:

- Objective 1: demonstrate the knowledge of global financial and foreign exchange markets.
- Objective 2: identify the impact of global financial changes on multinational enterprises.

Goal 5: Leadership and Communication Skills
MSF graduates will be effective communicators. Graduates will be able to:

- Objective 1: Graduates will develop and deliver a compelling oral presentation grounded in relevant information and facts.
- Objective 2: Graduates will write professional quality documents.
- Objective 3: Graduates will foster teamwork and clarify roles and responsibilities.

Course Learning Objectives
The objective of this course is to provide you a comprehensive understanding of the central concepts of financial management. In general, corporations contribute to society by contributing value. Corporate activities contribute value to consumers by producing goods and services and by introducing new products and new methods of producing them. The corporations that manufactured and marketed these products created value for you as consumers. Corporate activities also create value to investors. By producing goods and services of value to society, corporations generate profits which cause stock prices to rise and out of which dividends are paid. Wise (or lucky) investors (individuals, pension funds, universities and other stockholders) who invest in stocks that generate value for consumers are rewarded for helping finance
corporate activities. In contrast, investors who hold stocks in companies that fail to produce value for society, whether because they lack the efficiency to compete or because they produce products for which there is insufficient demand are punished as their stocks lose value. In a global sense, financial management is about corporations’ contributions to society through creation of value. Consider the contrasts between the returns to those who invested in Boeing stock and investors in EADS (the European consortium which produces Airbus) and between Toyota and General Motors. Boeing and Toyota contributed and continue to contribute great value to society, and its investors are rewarded for providing capital for these firms to do so.

At the level of the individual manager, financial management involves technical abilities such as quantitative analysis of data, recognizing and understanding underlying guiding principles used to identify the appropriate application of the techniques of corporate finance, and awareness of key ethical issues which define the responsibility of financial managers. In general, the course teaches how financial managers can contribute to maximization of the wealth of stockholders, who own the company, and to do so while abiding by the legal and ethical requirements of society.

5. Specific Course Learning Objectives

Students are expected to:
1. Familiarize themselves with the nature of the corporation and of the general guiding principles underlying the process of stockholder wealth maximization. (address goal 2)
2. Learn the techniques and methods of financial analysis and develop the ability to use them as tools for problem solving. (address goal 6)
3. Learn to identify which techniques and methods are applicable to a given problem and how managers can use them individually or in combination as decision-making tools to increase the value of the corporation and thus the net worth of stockholders. (address goal 2)
4. Develop the ability to communicate clearly—to describe in words what the techniques of financial management contribute to decision making. (address goal 5)
5. Obtain an understanding of the functioning of financial markets and their role in financial decision-making. (address goal 2)
6. Broaden their knowledge beyond the excessively clear-cut concepts and problems of the textbook by approaching managerial decisions using the messier and less complete data typically encountered in practice by engaging in empirical studies of actual firms or engaging in case studies as assigned in the course. Whichever of these is assigned, it will involve written analysis and oral discussion. (address goals 3, 4 and 6)

Concepts and Topics covered in the course

Financial Management is taught from the corporate perspective. It requires prior knowledge of accounting, economics, finance, and statistics. The underlying theme of the course is business
valuation—how managers can enhance the value of the corporation and thus the net worth of the shareholder-owners. The subject matter of this course can be broadly classified into 3 areas: stock and bond analysis; capital budgeting and capital structure decisions; and corporate financing through issuance of debt and equity.

Topics covered in this course include the following:

- Corporate Governance and Agency Theory
- Financial Statement Analysis and Performance Evaluation
- Time Value of Money and Discounted Cash Flow Analysis
- Asset Pricing Models and Value at Risk Analysis
- Asset Valuation: Fixed Income Securities and Equity Securities
- The Cost of Capital and Cash Flow Analysis
- Capital Budgeting Analysis
- Capital Structure Decision
- Dividend Policy

6. Texts, Readings, Materials

REQUIRED TEXT

SUPPLEMENTARY READINGS
A financial calculator with an IRR function. The Hewlett Packard 10 B or 10 B II is recommended.

**The Wall Street Journal**
The Wall Street Journal is one of the most widely read journals of business. I encourage you to read this paper every day. We will refer to it often in class. **MATHtv.com** provides a comprehensive review on math and quantitative topics. All quantitative skills needed to master this course are covered in this website. Please review those relevant sections and you are responsible for learning those fundamental materials.

7. Instructional Methods

Class time will be devoted to lecture, discussion, and analysis of assigned cases and problems. Finance is a subject highly problem-oriented. Therefore, problems will constitute the largest number of points for each exam. Assigned problems will not be collected, but will be discussed in class. Active participation in class is encouraged and required.
I will use blackboard course management system to post online materials, including sample problems for the exam. You are responsible for all problems on the web. I will be more than happy to discuss any questions you might have either in class or outside class.

10. Course Policies

1. Reading assignments and homework assignments:
   You are responsible for all of the material discussed in class, assigned in the readings, and problems assigned for homework. I will at times ask you to perform simple homework assignments in class. My purpose here is to see that you have some simple hands-on experience at financial management. In addition, you should also study the self-test problems after each chapter. The solutions to those problems are in the book. You will need to study additional assignments on the web. We will discuss every homework assignment and case analysis in class. For self-test and web problems, I will be more than happy to discuss those in class if needed.

2. Make up exams
   Make up exams will not be permitted unless I am notified your absence on an exam before the exam date. Make up exams from excused absences will be scheduled at a time mutually agreeable to the instructor and the student.

3. You should prepare for ALL regularly scheduled classes prior to class meeting. Also, you are expected to arrive on time and stay in class until the class period ends. If you know in advance that you will need to leave early, please notify me before the class period begins.

4. Comments and questions are encouraged to share with the whole class. Private discussion or chatting with your peers are discouraged and will be viewed as destructive for the learning environment. Please respect the class by not doing so.

5. Participation performance is determined by your contribution to the learning process in class. It includes, but not limited to, comments, personal insights, constructive questions, work experience, and answers to assignments and cases. Attendance is expected and required. If you missed three or more classes, your course grade, at the instructor's discretion, will be reduced by one letter grade. If you missed more than six classes, at the instructor's discretion, the grade will automatically become an F.

6. The use of cell phone is discouraged during the class period. Unless for important reasons, please try not to use it.
8. If you have special concerns about this class and the class policy, I encourage you to come talk to me after class or during my office hours. This should be done in the *first week* of class to allow us time to work out a plan to fully address your concerns. After this time period, I assume that you agree to, and will abide by, the class policy.

9. Any student with a documented disability requiring accommodations in this course is encouraged to contact me after class or during office hours. Additionally, students will need to contact the office of Counseling Services for Students with Special Needs (Disability Services) at 713-525-3162 or 6953.

**Accommodations**

The University of St. Thomas abides by the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, which stipulates that no student shall be denied the benefits of an education "solely by reason of a handicap." If you have a documented disability that may impact your performance in this class and for which you may require accommodations, you must be registered with and provide documentation of your disability to Counseling and Disability Services which is located on the second floor of Crooker Center. Contact the Center at 713-525-6953 or 713-525-3162

**Academic Honesty**

Ethical conduct is essential to a community of scholars and students searching for truth. Anything less than total commitment to honesty and honorable conduct undermines the efforts of the entire community. Academic integrity lies at the very heart of any institution of higher learning. In the Cameron School of Business, students and faculty are expected to commit to a code that exemplifies each individual's honor and integrity. Any conduct that violates this standard and betrays the respect of others is a matter of grave concern and, accordingly, is deemed unacceptable.
11. Grading Processes

Grades of this class will be determined by two exams, one final exam, case analysis, one term paper, and class participation. Each exam counts for 20% of the total course grade. Case analysis counts for 10%. Term paper counts for 10%. Final exam counts for 35%, class participation counts for 2% of the course grade.

Small Tasks for Small Scores (3 Completed Activities = 3% of your grade) In order to (1) bolster the student’s performance in courses in the business school and (2) better prepare students for their professions and careers after school, faculty in CSB set aside a small part of the total score in each course for small tasks/workshops. Each student is required to complete a minimum of three (three hours total) workshops. In doing so, CSB will provide numerous workshops for all students taking CSB courses (the complete list of workshops is available on BB). As can be seen in the list, the workshops are being offered by different academic support services on campus and the workshops on computer applications are being offered through an online provider (www.lynda.com).

- Workshops are being offered during the activity period and in the evening on weekdays in the Fall semester.
- Workshops are also being offered online via Lynda.com through the Houston Public Library.
- While the students have to complete a minimum number of workshops per semester, the same workshops could be used for various courses.
- Students need to attend a workshop lasting at least one hour to complete one activity. For instance, if a student decides to take a half hour session in an on campus workshop, she/he then needs to take an additional half hour session on something else to complete one required activity

Final grade:  
93-100       A  
90-92        A-  
87-89        B+  
84-86        B  
80-83        B-  
70-79        C  
below 70     F
Guidelines for Case Analysis and Term Paper

1. MEETING CASE ANALYSIS DEADLINE
The case analysis must be turned according to class announcements. I will keep you posted as it comes due. Generally, it is on the following Monday after the assigned chapter was finished. Except for officially excused by the instructor, late assignments cannot be accepted and must be assigned a grade of zero. This rule avoids unfair treatment of the majority of students who try to get their assignments in on time.

2. WORK AS A TEAM
To stress the importance of teamwork, I encourage you to work on cases and term paper as a three-student group. To encourage teamwork and ensure fairness, group members will receive the same grade. You are allowed, however, to work on the assignments individually with my permit. Let me know if you decide to pursue this option.

3. FORMAT OF THE CASE
Each case includes a number of questions and problems. The format of the case analysis is open. The work needs to be original. Otherwise, the grade will be assigned zero.
You should submit your cases both electronically and in a hardcopy. Send me the case via email with the attached file with a subject "5318 (section) case #". Also submit a hardcopy on the due date. Each group should also have an extra copy so that you can participate in the case discussion.

TERM PAPER:
The course requires a group term paper. Your group should select a company of your choice. You will need to:
- Perform a ratio analysis, common size analysis, and trend analysis and calculate the company’s beta for the firm by using the last three years’ financial statements.
- Perform the industry analysis and comment on the firm’s financial strengths, weaknesses, opportunities, and threats.
- Compare the company’s financial performance to that of the S&P 500 Index and that of one of the company’s major competitors for the three year period.
- Calculate the investor's required rate-of-return on common stock, and find the investor's required rate-of-return on one of the company's bond issues.
- Use the valuation techniques covered in classes and cases to estimate the company’s growth rate and the fair stock price now and in one year.
- Provide a conclusion as to whether the company currently is overvalued, undervalued, or fairly valued.
- Make a commendation as to buy, hold, or sell the stock. Provide the rationale for your recommendation.

The length of the term paper should be around 20 double-spaced pages, including bibliographies, charts, and references. It is due the last day of class.
## 12. Course Tentative Schedule*

<table>
<thead>
<tr>
<th>Week</th>
<th>Tentative Topic</th>
<th>Assignments**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Introduction to Financial Management</strong>&lt;br&gt;Corporate Governance, Agency Theories,&lt;br&gt;Goal of Financial Management&lt;br&gt;Shareholder Wealth Maximization</td>
<td>Ch.1:</td>
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<tr>
<td>2</td>
<td><strong>Financial Statements, Cash Flow</strong>&lt;br&gt;Depreciation Analysis, Cash Flow Analysis,&lt;br&gt;Problems of Financial Statement Analysis</td>
<td>Ch. 2:</td>
</tr>
<tr>
<td>3</td>
<td><strong>Analysis of Financial Statements,</strong>&lt;br&gt;Corporate Performance Evaluation,&lt;br&gt;Common Size Analysis, Economic Value Added Analysis, Market Value Added analysis, Ratios Analysis, Trend Analysis, Percentage Change Analysis</td>
<td>Ch. 3: 1, 6, 7, 8, 10,</td>
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<td></td>
<td><strong>Case Analysis I Due (Case in Ch.3)</strong></td>
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<td>4</td>
<td><strong>Ch. 3 continue</strong>&lt;br&gt;<strong>Capital Structure Decisions:</strong> Basics and Extensions</td>
<td>Ch. 3&lt;br&gt;Ch. 15</td>
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<td></td>
<td>Business Risk, Financial Risk, Capital Structure Theory, Financial Distress and&lt;br&gt;Agency Costs</td>
<td>Ch.15</td>
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<td>5</td>
<td><strong>Risk and Return: Basics</strong>&lt;br&gt;Probability Distribution, Mean Value Analysis,&lt;br&gt;Variance analysis, and Value at Risk Analysis, Diversification Theory</td>
<td>Ch.6: 2, 3, 9,10, 14</td>
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<td>6</td>
<td><strong>Portfolio Theory and Other Asset</strong>&lt;br&gt;Capital Asset Pricing Model, The Security&lt;br&gt;Market Line, Security’s Characteristic Line, Beta Calculation, Risk Analysis:&lt;br&gt;Systematic Risk Vs. Non systematic Risk, Required rate of return Vs. Expected Rate of Return. Value analysis, Portfolio Management.&lt;br&gt;<strong>Case Analysis II Due (Case in Ch. 6)</strong></td>
<td>Ch.6: 2,3,9,10,14</td>
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<tr>
<td>Week</td>
<td>Topic</td>
<td>Text</td>
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<td>7</td>
<td><strong>Discounted Cash Flow Analysis:</strong></td>
<td>Even Cash Flow Analysis, Uneven Cash Flow Analysis, Rate of Return Calculation, Present Value Annuity, Future Value Annuity, Perpetuities, Amortization Analysis, Effective Interest Rate Vs. Nominal Interest Rate</td>
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<tr>
<td>8</td>
<td><strong>Asset Valuation: Fixed-Income Securities</strong></td>
<td>Bond Valuation, Interest Rate Vs. Bond Valuation, Current Yield and Capital Gain (Loss) Yield, Yield to Maturity, Yield to Call, Investment Strategies and Bond Portfolio, Interest Rate Risk Vs. Reinvestment Risk, Bond Ratings.</td>
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<tr>
<td>9</td>
<td><strong>Spring Break</strong></td>
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<tr>
<td>10</td>
<td><strong>Asset Valuation: Equity</strong></td>
<td>Stock Valuation, Interest Rate Vs. Stock Valuation, Constant Dividend Model, Constant Growth Model, Supernormal Growth Model, Dividend Yield, Capital Gain (Loss) Yield, P/E Ratio and Stock Price, Sustainable Growth Analysis</td>
</tr>
<tr>
<td>11</td>
<td><strong>Asset Valuation: Equity</strong></td>
<td>Stock Valuation, Interest Rate Vs. Stock Valuation, Constant Dividend Model, Constant Growth Model, Supernormal Growth Model, Dividend Yield, Capital Gain (Loss) Yield, P/E Ratio and Stock Price, Sustainable Growth Analysis</td>
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<tr>
<td>12</td>
<td><strong>The Cost of Capital and Investment Analysis</strong></td>
<td>The Cost of debt, The Cost of Equity, The Weighted Average Cost of Capital, Investment Analysis and The Cost of Capital, Investment Opportunities and The Cost of Capital, Factors That Affect the Cost of Capital</td>
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<tr>
<td>13</td>
<td><strong>Exam II, Capital Budgeting Analysis</strong></td>
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<tr>
<td>Week</td>
<td>Topic</td>
<td>Chapters</td>
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<td>14</td>
<td><strong>Capital Budgeting Analysis</strong>&lt;br&gt;Capital Budgeting analysis and The Cost of Capital, Payback Period Analysis, Discounted Payback, Period Analysis, Net Present Value Analysis, Internal Rate of Return, Modified Internal Rate of Return, Profitability Index Analysis, Ranking Mutually Exclusive Projects, Net Present Value, Profile Analysis, Reinvestment Rate Analysis</td>
<td>Ch.10: 1,2, 3,4,5,6, 15</td>
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<tr>
<td>15</td>
<td><strong>Project Cash Flow Analysis</strong>&lt;br&gt;Incremental Cash Flow Vs. Irrelevant Cash Flow, Cash Flow Estimation, Evaluate Projects with Unequal Lives.&lt;br&gt;<strong>Case Analysis III</strong> (Ch. 10)&lt;br&gt;<strong>Due on the last day of class</strong></td>
<td>Ch.11: TBA</td>
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<tr>
<td>16</td>
<td><strong>Dividend policy</strong>&lt;br&gt;Dividend Vs. Capital Gains, Dividend Theories, Dividend Policy Issues</td>
<td>Ch. 14</td>
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</table>

*: The above schedule and procedures in this course are tentative and subject to change
**: Assignments are the end of chapter problems
Class Participation

The following criteria will be used to judge and grade your participation performance:

1. **Content Mastery:**
The student makes evident by classroom comments and/or responses to questions, an understanding of the facts, concepts, and theories presented in the assigned readings.

2. **Communication Skills:**
The student informs other students in a clear and constructive manner what he/she knows. Communication skills include listening to others and understanding what they have said, responding appropriately, asking clear, constructive questions, building on the ideas of others, etc..

3. **Synthesis/Integration:**
The student shows the connections between this material and other material. For example, the student could take several ideas from the readings or class discussions and combine them to produce a new perspective on an issue, or the student could take outside materials (personal experience, work experience, other classes etc.) and combine them to create insights.

4. **Creativity:**
The student shows further implications of the material by finding new ways of articulating or setting the materials, which produce significant insights, etc..

5. **Valuing:**
The student identifies values inherent to the material and offer rationales based on some value system.

Mission Statement: Cameron School of Business

The Cameron School of Business will serve students of diverse backgrounds, providing them the necessary professional skills for a changing global economy, and instilling in them a deep appreciation for ethical behavior as the hallmark of a successful and fulfilling business career. The Cameron School will provide its students a timely and comprehensive business curriculum, with opportunities for specialized study in major business fields. The faculty will provide quality teaching, as this is the core of our mission. As an extension of our teaching mission, the faculty will engage in scholarly activity and service to the University, the profession, and the community.