

BUSINESS 351

Financial Management Fall Semester 2008

- INSTRUCTOR:** James Schultz
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OFFICE HOURS: 11:00-11:50 MWF
1:00-1:30 MW
Other times by appointment
- REQUIRED TEXTS:** *Fundamentals of Corporate Finance*, by Ross, Westerfield and Jordan, eighth edition. Also required: The Student Problem Manual that accompanies the text.
- REQUIRED READINGS:** On reserve in the library.
The Founders of Modern Finance: Their Prize-Winning concepts and 1990 Nobel Lectures
Capital Ideas by Peter Bernstein.
Videos mentioned for several classes are on reserve in the library.
- REQUIRED:** Financial calculator, SHARP
- REQUIRED:** Daily reading of Wall Street Journal

COURSE OBJECTIVES:

By the end of the course, the student should:

1. Understand NPV as a basic concept of corporate finance and be proficient in solving all types of time value of money problems.
2. Appreciate the relevance of finance in our daily lives through exposure to contemporary financial issues by outside reading and selected videos; in addition, you should be familiar with web sources of financial markets such as www.morningstar.com, www.bloomberg.com; www.wsj.com; www.finance.yahoo.com; www.marketwatch.com; www.fool.com
3. Have a sound grasp of underlying financial theories and the objectives and tradeoffs involved in corporate financial decision making.
4. Understand how today's financial manager uses spreadsheets and calculators to perform financial analysis and make capital budgeting decisions.
5. Be familiar with the key contributions of the Nobel laureates in financial economics, specifically Markowitz, Sharpe, and Miller and Modigliani, and have a better appreciation of financial research through the reading of seminal works and a description of how key financial theories evolved,

COURSE STRUCTURE AND RESOURCES:

Lectures, working homework problems, written assignments using computer spreadsheets, and outside reading of contemporary issues will all be used in this course. It has been found that students of finance learn better when they have plenty of opportunity for practice. There are many new concepts being introduced, all of which build on one another, and the student must stay current with the schedule in order to understand the lectures.

The Ross, Westerfield, and Jordan text has a strong approach to teaching the first course in finance. It emphasizes the modern fundamentals of finance and makes the subject come alive with contemporary examples. Corporate finance is the working of a small number of integrated and very powerful intuitions. These are emphasized in the *Ten Important Concepts* that is in the General Folder.

Class time will begin by answering questions left over from the previous session and placing the current topic in perspective to the course's objectives. There will be chapter lectures which will include working problems as a class or in small groups and then among the class as a whole.

The course will be organized around the 351 Folder housed in

\\fileserver1\Acad_Dept_Pgm\Econ_Bus\Schultz_James\Public

Please look in the folder that is named with the date of the next class before you come to class. It contains:

1. A Chapter Outline if we are beginning a new chapter
2. A PowerPoint Presentation that pertains to the chapter we are beginning
3. Any articles you are to read before class

You may want to print out some of this material before class – especially the Chapter Outline – and bring it with you so that you may take notes. If there is nothing in the next folder then we are continuing the chapter from the previous class.

Students are responsible for reading the assigned material, and working the homework problems at the end of the chapter that relate to the readings before coming to class.

We are using the alternate edition of RWJ, which includes several chapters that are only used in International Finance and the Case Studies course. This enables the student to avoid additional costs in upper level courses.

The Student Problem Manual and the Self-test CD are supplements that support your study of this material. The student problem manual contains concepts for review, chapter highlights, and problems and tests along with answers in the back of the book. It is to help you master the material and provide more practice outside of class. You will not have assignments from these packets. The Student Problem Manual will be especially helpful as you review for tests.

GRADING:

The grading scale is as follows:

97-100	A+
93-96	A
90-92	A-
87-89	B+
83-86	B
80-82	B-
77-79	C+
73-76	C
70-72	C-
67-69	D+
63-66	D
60-62	D-
< 60	F

Grades will be based on the following:

1. Section Test 1	20%
2. Section Test 2	20%
3. Section Test 3	20%
5. Written Assignment	20%
7. Final Exam	20%

100% plus Bonus Opportunity Points

Each grade will be scored in terms of 100 points. Then the scores will be weighted as indicated above to determine the final grade. Bonus points will be accumulated, divided by the total bonus points possible, and weighted by 6% so that the average bonus points earned times .06 equals the points added to your final grade for the course.

All students will take all three tests plus the comprehensive exam. You may drop the lower of your first two test grades with the eliminated twenty points spread across the remaining four grading opportunities; i.e. every grade will then be weighted at 25%.

Homework Problems:

Students are encouraged to work on the homework problems with another student or in groups.

Although homework will not be collected, it is essential that you keep up with your homework. The end-of-chapter problems, the problems on the bonus opportunities, and the problems that the instructor works in class are indicative of the problems you will find on the

tests. There is no substitute for working as many problems as possible. The HW solutions will be posted in the public folder after students have had an opportunity to work them.

Chapter Tests:

There will be three tests, each covering a major portion of material. The test dates will be determined far in advance. They will be offered at times outside of class. See your syllabus. If, for some reason you cannot avoid missing an exam, or if an emergency arises, contact me as soon as possible. Those students with college-related activities may take the test earlier, but not later than other students. If you miss a test (with a valid excuse) and cannot quickly make it up, I reserve the right to refuse a make-up, and increase the weight of the comprehensive final accordingly.

You will need to bring your calculator to each of the chapter tests and the final examination. These tests will be problems and essays, weighted approximately 50/50. They will only cover certain chapters, but the student will soon recognize the “building-block” nature of the chapters. Tests will cover the chapters in the textbook, the lectures on those chapters, and any outside material assigned in conjunction with the chapters, including the readings on reserve in the library.

Bonus Opportunities:

During most classes there will be opportunities for students to earn additional grade points (up to 6% of the original possible points) through short quizzes or problems given in class. Since these are bonus opportunities, and grades do not count against the student, there are absolutely no make-ups on these, regardless of your reason for a class absence. Bonus opportunities are designed to encourage students to stay caught up and to attend class having prepared the daily assignment. The material covered on the bonus opportunities will come from the day’s assignment or from the previous class’ lecture.

Attendance Policy:

If you are absent from class due to illness or other excusable reason, you must provide me an explanation of the absence. Always follow up with an e-mail explanation so I will have a record. Whenever possible, this explanation should be given prior to the absence so your work may be continued with minimal interruption. An absence for which an excuse is not given or not accepted is an unexcused absence. It is the responsibility of the student to determine what make-up work is to be submitted whether the absence is excused or unexcused. When excessive absences from class jeopardize your work in the course, the Asst. Dean of Academic Affairs Notice will be sent as a warning that further absences will result in at least a lowering of the final grade, and may lead to failure in or a suspension from the course. If you receive such a notice, I ask that you meet with me immediately so that there is a complete understanding of the implications of continued absences. You will not be permitted to make-up Bonus Opportunities, whether excused or unexcused.

**SUGGESTED READINGS FOR THOSE INTERESTED IN PURSUING A CAREER IN
FINANCE OR GRADUATE WORK IN FINANCE:**

Peter Bernstein's history of the development of financial theory called *Capital Ideas*

Three Nobel Laureates in finance: seminal works of Sharpe, Markowitz, and Miller

A Random Walk Down Wall Street ,by Malkiel

Graham and Dodd's Security Analysis

Berkshire Hathaway Annual Report by Warren Buffet

Suggested contemporary books are:

Infectious Greed by Partnoy

Take on the Street by Levitt

Irrational Exuberance by Shiller

Beyond Greed and Fear by Shefrin

24 Days: WSJ reporters on Enron's demise

Against the Gods: The Remarkable Story of Risk by Bernstein

The Revolution in Corporate Finance edited by Stern and Chew

The Bear Book by Rothchild

Conspiracy of Fools by Eichenwald

*Copies of these readings can be obtained from Professor Debbie Pittman, should you wish to borrow them.

Advice from a previous semester's students when asked "Is there anything that you did that particularly helped you perform well in this course? Is there anything you wish you had done that in retrospect would have helped you? These are all inclusive and unedited.

1. Do all of the homework and stay caught up on the readings.
2. Read chapters. Do problems.
3. Go to class and do homework problems. Practice is good.
4. Do all your homework, when it is assigned to you.
5. Do not skip class and read the chapters the night before the test.
6. Read, (comprehend!) the book. What worked best for me was to outline the important concepts and equations from the book before class, which helps –bringing me to the next point. Studying bonus opportunities and handouts was THE most effective way to prepare for tests.
7. Keep on top of the theory and essay material type aspects instead of purely concentrating on the math so much. Both are equally important and both must be done.
8. Work back over problems within a couple of days of learning how to do them – make sure you really understand on your own and not just when the professor goes over them.
9. Keep up with reading – saves a lot of time when studying for essays on tests.
10. Working out problems outside of class is very helpful because it is the only way you can truly know if you understand the material.
11. Ask questions if you don't understand because IT WILL come up again in later chapters.
12. Know how to use the calculator!
13. Reading, outlining the chapters, and working problems in the back of the chapter were helpful. I would recommend copying the answers from the solution book and working at least some of the problems at the end of every chapter.
14. It would have helped me if I read and worked problems as we went along more. Especially in doing well on the bonus opportunities. I would study more for the quizzes if I had to do it over again.