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| Course | FINC 5000 Finance | |
| Term | Fall 1, 2009 | |
| Instructor | Lorraine Gilbertson 816-478-6604 gilbertl@webster.edu | |
| Catalog Description | The student examines the general nature of financial management, the American financial system, taxes, and the major financial decisions of corporations. Specific attention is given to present value and capital budgeting; risk and asset pricing; financial analysis and forecasting; financial decisions and market efficiency; and capital structure. Problem-solving methodology is used to illustrate the theories and tools in financial decision-making. | |
| Prerequisites | Prerequisites: BUSN 5600 and BUSN 5760. (FINC 5570 cannot be substituted for FINC 5000.) | |
| Course Level Learning Outcomes | Outcome | Expectation |
| | 1. Students can determine the value of fixed income securities | Students can use equations and financial calculators to solve for all variables within the bond pricing equation. |
| | 2. Students can determine the value of equity securities | Students can compute the value of equity using the Gordon Growth Model. |
| | 3. Students can discuss market functioning and the role efficient markets play in security valuation | Students can identify the three levels of market efficiency, and are able to distinguish between the three when presented with a scenario. |
| | 4. Students can evaluate capital budgeting decisions using standard methodologies | Students can employ NPV, IRR, and payback methods to analyze potential capital investments. |
| | 5. Students can explain the impact of capital structure decisions on financial performance and the cost of capital | Students can explain the affect of varying the firm's debt and equity levels on the weighted average cost of capital. |
| | 6. Students can identify agency problems within a corporation and formulate strategies to address them | Students can explain the conflicts of interest that exist between shareholders and managers in firms with less than 100% ownership by the manager of the firm. They can discuss a methods used by corporations (profit sharing, employee stock options, takeovers, etc.) to align manager and shareholder interests. |
| | 7. Students can evaluate credit and interest rate risk | Students can explain the impact of interest rate risk on risk premiums. They can discuss factors which increase interest rate risk. |

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| | 8. Students can utilize financial analysis to assess an organization's financial condition | Students can compute ratios from the information on financial statements. The ratios are in the categories of liquidity, profitability, market valuation, and efficiency. Students can apply the DuPont Model. | | | | | | | | | | | | | | |
| Materials | <ul style="list-style-type: none"> • Brigham, Eugene F. and Michael C. Ehrhardt, Financial Management, Theory and Practice, South-Western, 12th edition. • Financial Calculator (optional) • Access to a computer equipped with Microsoft Excel® • Access to Wall Street Journal &/or other business news sources. <p>Text is available through MBS Direct Books at 1-800-325-3252 or www.mbsdirect.net. Checks and credit cards accepted.</p> | | | | | | | | | | | | | | | |
| Grading | <table border="1" data-bbox="305 751 954 905"> <tr> <td>Exam 1</td> <td>30%</td> </tr> <tr> <td>Exam 2</td> <td>30%</td> </tr> <tr> <td>Assignments/quizzes/cases</td> <td>40%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </table> <table border="1" data-bbox="305 940 954 1058"> <tr> <td>Cutoff for A range</td> <td>90%</td> </tr> <tr> <td>Cutoff for B range</td> <td>80%</td> </tr> <tr> <td>Cutoff for C range</td> <td>65%</td> </tr> </table> <p>The GRADUATE catalog provides these guidelines and grading options:</p> <ul style="list-style-type: none"> • A/A- Superior graduate work • B+/B/B- Satisfactory graduate work • C Work that is barely adequate as graduate-level performance • CR Work that is performed as satisfactory graduate work (B- or better). A grade of "CR" is reserved for courses designated by a department, involving internships, a thesis, practicums, or specified courses. • F Work that is unsatisfactory • I Incomplete work • ZF An incomplete which was not completed within one year of the end of the course. ZF is treated the same as an F or NC for all cases involving G.P.A., academic warning, probation, and dismissal. • IP In progress • NR Not reported • W Withdrawn from the course | | Exam 1 | 30% | Exam 2 | 30% | Assignments/quizzes/cases | 40% | Total | 100% | Cutoff for A range | 90% | Cutoff for B range | 80% | Cutoff for C range | 65% |
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| Activities | <ul style="list-style-type: none"> • Attend Class. Class attendance is expected. • Students are encouraged to participate actively in class in regard to analysis and discussion of reading material, lecture material, problems, and cases. • Class time will be devoted to lecture, discussion, and analysis of assigned problems. Students should complete readings and assigned problems prior to class meetings. Written answers should be prepared for all problems; they will be considered in determining course grades. • This course may have a significant on-line portion. Students may be required to complete some quizzes online as well as other assignments. There may be an active discussion/forum available to students to assist each other in the completion of the homework assignments and other course requirements. | | | | | | | | | | | | | | | |

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| | <ul style="list-style-type: none"> • Connections will be used for most outside the classroom communication. It will also be used to post material used in class. • Students should expect to spend substantial amounts of time, in and out of class, to keep up with readings and assignments. Frequently, there may not be sufficient time to review all assigned work & topics in the classroom. However, it is an important learning tool to attempt all tasks, and ask questions on any unclear concepts and problems. • Required articles may be distributed in class, be on reserve in the library, or the student may be required to find the article. • Project: A financial analysis of a company. |
| <p>Policy Statements:</p> <p>University Policies</p> | <p>University policies are provided in the current course catalog and course schedules. They are also available on the university website. This class is governed by the university's published policies. The following policies are of particular interest:</p> <p><i>Academic Honesty</i></p> <p>The university is committed to high standards of academic honesty. Students will be held responsible for violations of these standards. Please refer to the university's academic honesty policies for a definition of academic dishonesty and potential disciplinary actions associated with it.</p> <p><i>Drops and Withdrawals</i></p> <p>Please be aware that, should you choose to drop or withdraw from this course, the date on which you notify the university of your decision will determine the amount of tuition refund you receive. Please refer to the university policies on drops and withdrawals (published elsewhere) to find out what the deadlines are for dropping a course with a full refund and for withdrawing from a course with a partial refund.</p> <p><i>Special Services</i></p> <p>If you have registered as a student with a documented disability and are entitled to classroom or testing accommodations, please inform the instructor at the beginning of the course of the accommodations you will require in this class so that these can be provided.</p> <p><i>Disturbances</i></p> <p>Since every student is entitled to full participation in class without interruption, disruption of class by inconsiderate behavior is not acceptable. Students are expected to treat the instructor and other students with dignity and respect, especially in cases where a diversity of opinion arises. Students who engage in disruptive behavior are subject to disciplinary action, including removal from the course.</p> <p><i>Student Assignments Retained</i></p> <p>From time to time, student assignments or projects will be retained by The Department for the purpose of academic assessment. In every case, should the assignment or project be shared outside the academic Department, the student's name and all identifying</p> |

| | <p>information about that student will be redacted from the assignment or project.</p> <p><i>Contact Hours for this Course</i></p> <p>It is essential that all classes meet for the full instructional time as scheduled. A class cannot be shortened in length. If a class session is cancelled for any reason, it must be rescheduled.</p> | | | | | | | | | | | | | | | | | | |
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| <p>Course Policies</p> | <p>If you miss class you are responsible for getting notes and assignments. <i>A penalty will apply to all late assignments, unless approval is obtained in advance.</i></p> <p>If an unavoidable situation is going to force you to turn in homework late or miss a test, please try to let the instructor know ahead of time so alternate plans can be made. You'll find that we can usually work out almost any kind of difficulty involving unexpected emergencies, scheduling conflicts, etc., but it is easier to make alternate plans if we know about it in advance.</p> | | | | | | | | | | | | | | | | | | |
| <p>Weekly Schedule</p> | <p>The schedule below presents an approximate expectation of course progress. The instructor reserves the right to add, delete, or modify any weeks of this schedule. Any changes will be announced in class. Please read assigned chapters before class. All assignments must be completed in Excel, or typewritten format.</p> <table border="1" data-bbox="305 890 1511 1965"> <thead> <tr> <th data-bbox="305 890 407 932">Week</th> <th data-bbox="407 890 1105 932">Chapters and Topics</th> <th data-bbox="1105 890 1511 932">Assignments</th> </tr> </thead> <tbody> <tr> <td data-bbox="305 932 407 1268">1</td> <td data-bbox="407 932 1105 1268"> Chapter 1-Overview, Chapter 3-Financial Statements Review, Chapter 4-Financial Stmt-Analysis. Chapter 5-Interest Rates </td> <td data-bbox="1105 932 1511 1268"> C1: Questions 2, 3,5,7,10 C3: Problems 1,2,7 C4: Problems 13abc C5: Problems 4,23a </td> </tr> <tr> <td colspan="2" data-bbox="305 1268 1105 1373"> Note: The first week is to get the big picture of finance and also to review financial statements and accounting knowledge from the prerequisite course. </td> <td data-bbox="1105 1268 1511 1373"> Problems due Week 2 </td> </tr> <tr> <td data-bbox="305 1373 407 1965">2</td> <td data-bbox="407 1373 1105 1965"> Chapter 2-Time Value of Money, Chapter 6-Risk & Return Basics </td> <td data-bbox="1105 1373 1511 1965"> C2: Problems 9bd, 10bd, 12ac, 13ac, 14, 15cd, 20a, 23, 27@7% only, 28 C6: Problems 1, 2, 3, 4, 9 Problems due Week 3 </td> </tr> <tr> <td colspan="2" data-bbox="305 1965 1105 2070"> Notes: The TVM concepts in chapter 2 are at the cornerstone of all of finance. Goals include calculating Future Values, Present Values, Future Values of Annuities, Present Values of Annuities, Present Value of Perpetuities, Rates of Return, and Equivalent Annual Returns. Learning to use Excel spreadsheets, as well as an appreciation of the algebra behind the calculations is required. Chapter 2 is a crucial chapter for one's success in this course! </td> <td></td> </tr> <tr> <td colspan="2" data-bbox="305 2070 1105 1965"> In chapter 6, Risk and Return, you will review many of the concepts you already have from statistics course. The challenge is the application to finance topics. </td> <td></td> </tr> </tbody> </table> | Week | Chapters and Topics | Assignments | 1 | Chapter 1-Overview, Chapter 3-Financial Statements Review, Chapter 4-Financial Stmt-Analysis. Chapter 5-Interest Rates | C1: Questions 2, 3,5,7,10 C3: Problems 1,2,7 C4: Problems 13abc C5: Problems 4,23a | Note: The first week is to get the big picture of finance and also to review financial statements and accounting knowledge from the prerequisite course. | | Problems due Week 2 | 2 | Chapter 2-Time Value of Money, Chapter 6-Risk & Return Basics | C2: Problems 9bd, 10bd, 12ac, 13ac, 14, 15cd, 20a, 23, 27@7% only, 28 C6: Problems 1, 2, 3, 4, 9 Problems due Week 3 | Notes: The TVM concepts in chapter 2 are at the cornerstone of all of finance. Goals include calculating Future Values, Present Values, Future Values of Annuities, Present Values of Annuities, Present Value of Perpetuities, Rates of Return, and Equivalent Annual Returns. Learning to use Excel spreadsheets, as well as an appreciation of the algebra behind the calculations is required. Chapter 2 is a crucial chapter for one's success in this course! | | | In chapter 6, Risk and Return, you will review many of the concepts you already have from statistics course. The challenge is the application to finance topics. | | |
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| 3 | <p>Chapter 7 - Portfolio Theory – Brief Chapter 5 - Bond Valuation</p> <p>Note: Bond valuation is a great example of time value of money concepts. Bonds also illustrate interest rates and risk and return characteristics well. They are also part of the capital structure of many companies.</p> | <p>C7: None</p> <p>C5: Problems 1, 2, 7, 11, 13, 21a</p> <p>Problems due Week 4</p> |
| 4 | <p>Chapter 8 - Stock Valuation</p> <p>Note: Stock is a very important part of the capital structure of companies. In this chapter you will learn the characteristics of stock and approaches for valuing stock. You will also learn about the “Efficient Markets Hypothesis” which has important implications for investors.</p> | <p>Question 8-1h</p> <p>Problems 2, 5, 12, 13a</p> <p>Problems due Week 4</p> |
| 5 | <p align="center">** Mid-term Exam this week ** (covers Chapters 1-8)</p> <p>Chapter 10 - Cost of Capital</p> <p>Note: By combining the knowledge of TVM, Bonds and Stocks we can now put them in context with the cost of capital and capital structure. In these chapters you will learn how to calculate weighted average cost of capital (WACC), and appreciate how the combination of capital items affects cost of capital.</p> | |
| 6 | <p>Presentations: Case Analysis</p> <p>Chapter 11 - Capital Budgeting</p> <p>Note: After spending much of the term learning about capital structure items, it is now time to shift attention to the left-hand side of the balance sheet. In this chapter, you will learn the techniques of capital budgeting in making investment decisions.</p> | <p>Problems 1, 2, 3, 5, 6, 7 (for 10% discount rate only), 8, 9, 20</p> <p>Problems due Week 7</p> |
| 7 | <p>Presentations: Case Analysis</p> <p>Chapter 16 - Capital Structure</p> <p>Note: Capital structure affects free cash flow and cost of capital. This chapter integrates risk, stock</p> | <p>Problems 8ab, 9a, 12</p> <p>Problems due Week 8</p> |

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| | <p>prices, FCF, and WACC.</p> <hr/> <p>8 Presentations: Case Analysis</p> <p>Chapter 14 - Financial Planning C14: Problem 8</p> <p>Chapter 22 – Working Capital Management C22: Problems 3, 11, 14, 17</p> <p>Note: For a firm to grow financial planning must happen. This includes growing the capital side of the balance sheet. In this chapter, one should integrate additional funds needed (AFN) with financial statement analysis and capital structure.</p> <p>Chapter 22 addresses the short-term, day-to-day issues that all financial managers must deal with.</p> <hr/> <p>9 ** Final Exam this week ** (Covers chapters since mid-term)</p> <hr/> <p><u>*Case Analysis</u></p> <p>Select a company that is listed on a stock exchange. Research the company, using at least 3 sources with recent information. The Internet is the best source for a public company. Prepare a typewritten paper between 3-5 pages, double spaced. The paper should include:</p> <ul style="list-style-type: none"> • A brief background of the company, e.g., where it is located, when it was established, the name of the CEO, and what the company does. • A ratio analysis for most recent 3 years of strengths and weaknesses. • Other factors affecting the company, including competitive factors, macro-economic factors, new products, etc. • Your assessment of the future of the company. • Whether you would recommend purchasing stock in the company. • A bibliography. The bibliography is a separate page, not included in the 3-5 page limit. • You may attach as many exhibits as you wish to support your paper, e.g., financial statements and other information you obtain from the Internet or elsewhere. However, you are not required to attach exhibits—the choice is yours. • Each student will present the analysis during a class session. The presentation should be between 10-15 minutes in length. |
| <p>Additional Information</p> | <p>Each student needs a Connections account. Connections will be used for most out-of-the-classroom communication.</p> |

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