

Oakland University
School of Business Administration
CRN 12139-FIN 5720*: Advanced Financial Management, Winter 2018

Instructor: Ali Hammoud
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Office Hours: MW: 2:30-3:00 PM; M: 4:50-6:25 PM; R: 11:50 AM-1:20 PM;
also by appointment
Class Time: M: 6:30 PM - 9:20 PM
Class Location: SFH 176

*FIN633 is equivalent to FIN5720

Email is the preferred and fastest way to contact your professor. When you email me, **please write in the subject line the section and meeting times of the class you're taking.

REQUIRED COURSE TEXT:

Corporate Finance (11th edition) by Ross, Westerfield, Jaffe and Jordan, published by McGraw-Hill Education (2016), ISBN: 978-007-786175-9.

PREREQUISITES:

Prerequisite: FIN 533 or equivalent. This course will extensively use concepts covered in FIN 533. **It will be assumed that students are familiar with the concepts and can apply those concepts to solve problems.**

FINANCIAL CALCULATOR:

A financial calculator is required in this class, and I highly recommend the Texas Instruments BA II Plus “Professional” calculator. Technical support will be available for the Texas Instruments BA II Plus calculator in class during discussions and examples. Texas Instruments maintains a downloadable guidebook at: <https://education.ti.com/en/guidebook/search/financial-calculators> . You may use a different calculator but you will have to figure it out on your own.

REQUIRED COMPUTER USAGE:

We will use Microsoft Excel this semester to assist in solving some problems. Instruction on the use of Excel as it relates to financial problems is provided mainly in the textbook, but lectures will also have some Excel examples.

REQUIRED USE OF COURSE MOODLE SITE:

This course is almost paperless (except for in-class exams). The Moodle site developed for this course contains a listing of: (1) course syllabus, (2) PowerPoint slides of the lectures, (3) solutions to textbook problems, and (4) sample test 1. When you registered for this course you were automatically enrolled in the course Moodle site.

COURSE DESCRIPTION:

This course expands on the theories introduced in FIN 533 and covers the principles of financial management from the viewpoint of the corporate financial manager. We will consider the issues facing corporate financial managers and the theories and tools used to guide their decisions. Cases will be used to illustrate the application and limitations of finance theory.

COURSE OBJECTIVES:

Students should gain a firm understanding of the tools used by corporate financial managers in their decisions. By the end of the course, the student will be able to:

- Describe the financial environment.
- Apply the concepts of present and future value.
- Determine the price and risk of corporate securities such as bonds and stocks.
- Understand the relationship between risk and return (i.e., beta and the capital asset pricing model)
- Understand the capital structure and calculate the cost of funds to a company.
- Understand the basic techniques of evaluating a company's investment opportunities under uncertainty.
- Understand the factors that influence a firm's use of stocks and bonds to finance its investments.
- Understand the factors that affect a firm's decision to pay dividends.
- Understand the financial differences between leasing and purchasing.
- Understand options and their use in corporate finance.

CLASS MEETINGS:

The general methodology will be lectures, problems, and case discussions. To gain the greatest benefit, the student should complete the reading assignments before the class meetings. Classroom lectures are organized around PowerPoint slides developed by the authors of our text. To minimize note taking, you should print out the PowerPoint slides for the chapter that will be covered and bring them to class.

ATTENDANCE:

Regular attendance is required and participation is strongly encouraged. You will be held responsible for material covered in class as well as for material in the textbook and readings. Questions on the tests and final exam may come from the text, PowerPoint presentations, lectures, and/or homework assignments. Also, you are responsible for any announcements made in class.

WEATHER POLICY:

Classes are canceled when it is listed as such on the university's website.

WITHDRAWAL POLICY:

The last day to drop classes is the date as published in the Schedule of Classes for this semester.

ACADEMIC HONESTY:

As a matter of ethics and to protect the integrity of grades, each student is responsible for producing his or her own work. For example, copying other people's work or unauthorized sharing of notes or calculators during exams constitutes cheating. Students caught cheating will be given a failing grade for this course and could be expelled from the University.

CLASSROOM BEHAVIOR:

I expect you to conduct yourself with professional courtesy in the classroom. In other words, you should be in your seat and ready to start when class begins. In the rare, unavoidable situations when you must leave class early, let me know before class begins. If you must be excused for a few moments during class, please do so with as little disruption to the class as possible. Cell phones should be turned off unless you notify the instructor that you have a special need for a cell phone. Also, talking to other students and other inappropriate behavior while class is ongoing is strongly discouraged. Those sitting around you cannot hear the lecture when you engage in conversation.

ACCOMMODATION FOR STUDENTS WITH DISABILITIES:

If you have a documented disability that requires accommodations, you will need to register with the Office of **Disability** Support Services (DSS) for coordination of your academic accommodations. The Office of **Disability** Support Services (DSS) is located in 121 North Foundation Hall. DSS telephone number is (248) 370-3266. Once you have your accommodations in place, I will be glad to meet with you privately during my office hours to discuss your special needs. "The Office of **Disability** Support Services' mission is to ensure that all students with disabilities participate fully in university life. The DSS provide and coordinate services and programs so students with disabilities can maximize their educational potential and to increase the level of awareness among all members of the university community."

HOMEWORK:

Homework is not graded but test and final exam problems are similar to the assigned homework problems; therefore, you must master these if you are to make an acceptable grade in this course. Moreover, you should work as many of the problems as possible instead of just the ones that are assigned (listed at the end of this syllabus). Please work and discuss the homework assignments with your classmates whenever possible, since the best way to learn is to teach someone else. In addition, students are expected to acquire a conceptual understanding of the material presented in lectures and in the assigned text chapters, as questions of a conceptual nature will also appear on the tests and final exam.

EVALUATION CRITERIA:

The final grade is a composite of the grades you receive on the two tests, two team cases, class discussion of financial issues, and final exam as set forth below. The various components and their weights for the final course grade are shown below:

<i>What's New and Participation</i>	10	Class discussion of financial issues, 10 points
<i>Team Cases (2)</i>	30	Two Cases, 15 Points Each
<i>Tests (2)</i>	40	Two In-Class Tests, 20 Points Each
<i>Final Exam</i>	20	Comprehensive but mostly from 18,19, 21, 22, and 27
Total Points:	<u>100 pts.</u>	

The total number of points you receive determines your final grade in this course. Your course grade will be converted to the official Oakland University's 32 point grading scale by using the following formula:
 $1.0 + 3.0 * (\text{your points} - \text{cutoff for 1.0}) / (\text{cutoff for 4.0} - \text{cutoff for 1.0})$. For example, I'll use 95 points as the cutoff for 4.0, and 50 points as the cutoff for 1.0, in which case 90 points=3.7, 80 points=3.0, 70 points=2.3, 65 points=2.0 correspondingly. I may change the cutoff points with respect to your performance.

TEAM CASES:

The assigned cases in this course come from the Harvard Business School Cases. The direct way to purchase the cases is to access the Coursepack I created at: <http://cb.hbsp.harvard.edu/cbmp/access/72860282> . You need to register first and then purchase the cases. Make sure you download the supplemental spreadsheets at no additional charge.

Instructions: Self-select a four or less person team (count yourself as a member). Each team must complete a report addressing the questions and issues presented in the case. Please use your critical thinking skills in analyzing each case. **Also, students who do not contribute considerably to their group's case analysis will NOT get the group's grade.** If a team member is not doing his/her share of the work, then the other members simply should not put his/her name on the cover page. Only the names shown on the cover page will get the credit (as a team member, make sure your name is on the cover page in order to get credit). Every team must email me one report as a **word document attachment and the excel file** where the computations are done. Type the following in **the subject line of the email: FIN5720-Project**. Any project assignment with more than four names shown on the cover page will receive a "0" for the purpose of grade calculation.

TESTING PROCEDURE:

Tests and final exam are based on the homework assigned plus the lecture material. Each test will consist of approximately 20 multiple-choice questions based on homework assignments and classroom materials. The final exam, which is multiple-choice in format with approximately 20 questions, will not be intentionally cumulative, although concepts developed in earlier chapters will necessarily be employed in later chapters. The tests and final exam will be closed book, with a note/formula sheet (8.5 x 11) **one side allowed for each test** and a note/formula sheet (8.5 x 11) **two sides allowed for the final exam**. **You will need 3 Scranton 882-E** (green) forms. These forms are available at the OU Bookstore. Also:

- You **may use** any type of calculator, other than a cell phone
- You **may not** use a computer notebook.
- **NO** cell phones allowed "on" or "out" during the exams.
- **NO** sharing calculators and/or notes.
- **NO** talking or looking at another's paper.

WHAT'S NEW AND CLASS PARTICIPATION:

I strongly encourage you to follow the latest news in finance that might have impact on the financial markets and/or related to topics covered in class. To help you stay current with the latest finance news, each student will pick one piece of finance news (related to class materials) from a major source (print or online) and discuss it and present it to the whole class. You may give a brief introduction to the background, present the news, and discuss your opinions.

TESTS/ FINAL EXAM/ TEAM CASES-- MAKE-UPS:

Make-ups will be allowed only under **extreme circumstances** that can be documented. Students in this case, must notify me within 48 hours from the scheduled test/exam date. The makeup, in this case, does not necessarily have the same format as the missed test/exam. It is up to your instructor to decide on the **format of the makeup**, which could include **only essay questions, writing a paper**, or any other type of questions in testing your knowledge of the required materials. A test/final exam, which is not made up, will receive a "0" for the purpose of grade calculation. **Team case is due at the start of class and will not be accepted late.** If you cannot email me your assignment on time due to special circumstances (that can be documented), you must notify me as soon as possible on how to turn the project in.

<u>CHAPTERS</u>	<u>TOPICS</u>	<u>PROBLEMS</u>
Chapter 1:	Introduction to corporate finance	
Chapter 4:	Discounted cash flow valuation	1-41,49-54
Chapter 5:	Net present value and other investment rules	1-10,13,15,17,18
Chapter 6:	Making Capital Investment decisions	1,2,6,7,9,10,15,18
Chapter 7:	Risk Analysis, Real Options, and Capital Budgeting	5, 12-19
Chapter 8:	Interest rates and bond valuation	1-5,17-23
Chapter 9:	Stock valuation	1-9, 11-19
Chapter 11:	Return and risk: The CAPM	4-17, 23-28
Chapter 13:	Risk, Cost of Capital, and Valuation	10-19
Chapter 16:	Capital Structure: Basic Concepts	1,4,9,12
Chapter 18:	Valuation and Capital Budgeting for the levered firm	1-9
Chapter 19:	Dividends and Other Payouts	1,2,5,6
Chapter 21:	Leasing	7-13
Chapter 22:	Options and Corporate Finance	2,3,10,11
Chapter 27:	Cash Management	1-5

SCHEDULE OF IMPORTANT DATES*:

Test/Final Exam/Case	Chapters	Date Scheduled
Test 1	1, 4,5,6,7, and 8	02/26/2018
Team Case 1	Whirlpool Europe	03/05/2018
Test 2	9, 11,13, and 16	03/26/2018
Team Case 2	Marriott Corporation: The Cost of Capital	04/02/2018
Final Exam	Comprehensive but mostly from 18,19,21,22, and 27	04/23/2018 @ 7:00 PM

* Notes:

1. This schedule is tentative and subject to change. I will try to announce any changes in class at least one week in advance.
2. I will dispose all the tests/exams/assignments on the first day of the following academic year (Winter 2019).