600-03 Managerial Finance

Philip Glasgo
glasgo@xavier.edu

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FINC 600-03  
MANAGERIAL FINANCE  
Spring 2013  

Dr. Phil Glasgo  
Office: 235 Smith Hall  
Associate Professor  
Phones: (513) 745-3595(W)  
Email: glasgo@xavier.edu  
(812) 487-2905(H)  

Office Hours: By appointment and W 4-6; and T, H 12:30-2:30.  

Class Meets: Wednesday, 6:00 – 8:30 pm  

Selected readings and “Harvard Style” cases.  
Other finance and strategy textbooks available from the instructor  

Objectives: For those of you who do not plan to pursue careers in finance, the class is meant to tie together finance concepts and ideas with other disciplines so that you will: know enough to participate and contribute in discussions involving financial issues; recognize when someone presents a financial analysis that is incorrect; be able to perform basic financial analyses to determine if a business opportunity is viable.  
For those of you planning to pursue careers in finance, this class is meant to provide a solid foundation of understanding upon which you can build in future courses or by self-study. It is also designed to dispel a number of misconceptions about financial issues that are widely held even within the finance community.  

Mission of the Williams College of Business: We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition  

Common Characteristics of the Ignatian(Jesuit) Vision include:  
• Sees life and the whole universe as a gift calling forth wonder and gratefulness;  
• Gives ample scope to imagination and emotion as well as intellect;  
• Seeks to find the divine in all things—in all peoples and cultures, in all areas of study and learning, in every human experience, and(for Christians) especially in the person of Jesus;  
• Cultivates critical awareness of personal and social evil, but points to God’s love as more powerful than any evil;  
• Stresses freedom, need for discernment, and responsible action;  
• Empowers people to become leaders in service, “men and women for others,” building a more just and humane world.
Williams College of Business MBA Learning Goals

The Williams College of Business has chosen to emphasize the following learning goals in its MBA curriculum. Each of these areas will be covered in FINC 600, but special emphasis will be placed on Strategic Thinking and Leadership and Critical Thinking.

1. **Strategic Thinking and Leadership:** WCB MBAs will be able to position organizations in chosen market areas, compete successfully, and satisfy stakeholders with the objective of achieving superior organizational performance.

2. **Global Perspective and Cultural Diversity:** WCB MBAs will be able to work across cultural boundaries, whether these are geographical or societal, in that they possess a recognition and appreciation of the global environment of business and an understanding and appreciation of diversity.

3. **Ethics and Social Responsibility:** WCB MBAs are able to foster an ethical climate in their roles and responsibilities in business and society.

4. **Critical Thinking:** WCB MBAs are able to clarify problems, generate and evaluate alternatives using appropriate analytical and quantitative techniques, and draw conclusions.

5. **Effective Written and Oral Communication:** WCB MBAs are proficient in written and oral communication.

**Prerequisites:** Financial accounting, college-level algebra skills, probability, statistics; Finc 500 or equivalent. All Business Skills and required Foundation Skills courses (University catalog). Case analysis will require familiarity with spreadsheets.

**Grading:**

- Midterms (2) 40%  
- Cases (3) 30%  
- Final 30%  

Class participation is very important for borderline situations.

- 97% = A+  
- 93% = A  
- 90% = A-  
- 87% = B+  
- 83% = B  
- 80% = B-  
- 77% = C+  
- 73% = C  
- 70% = C-  
- Below 70% = F.

**Questions:** There are excellent questions and problems at the end of each chapter. In addition, early in the semester I will distribute a set of approximately 30 essay questions from which more than one half of your final exam and some of your midterms will be drawn. These will help you focus your thoughts as you read and discuss the chapters and cases.
Calculator: A calculator is required, preferably the Texas Instruments BA II Plus (about $30). Your calculator should have the capability of arithmetic functions and the computation of NPVs and IRRs with uneven cash flows, and a y^x key. It is the student’s responsibility to learn how to use the calculator well in advance of the first exam. No programmable calculators are allowed during exams unless the register is cleared before the exam. Cell phones may not be used or visible in any way.

Problems: Problems will be assigned with almost all chapters. It is up to you to decide how many of them you will work. I will work very few of them in class, but rather will focus on the issues underlying the problems and will use other examples. I have chosen problems that I believe will give you a thorough understanding of the material. I also recommend that you look at all of the Concept Review and Critical Thinking questions at the end of the chapters. I often use them or variations of them on tests. I will put a copy of the solutions to problems and concept questions in Blackboard.

Cases: The cases are designed to test your ability to apply the concepts discussed in class and presented in your textbook. Your analysis is more important that the final decision that you make. You will be assigned to a case group based on your preferences, geographic considerations, and prior finance and accounting training. A peer evaluation will be a part of your case grade. If for logistical or other reasons, you prefer to do the cases by yourself, I will try to accommodate your need with slightly lowered expectations for the final product.

References: Modern textbooks no longer provide references at the end of each chapter for those of you who wish to extend the knowledge beyond what you will obtain from reading the chapters. I guess they are trying to save trees. I will be happy to recommend key readings on topics about which you have a special interest.

Makeups: To ensure fairness, no extra credit work is available. Makeup exams will be available only under extreme circumstances as determined by the instructor and if you have made arrangements with the instructor in advance of the scheduled exam. The sooner you contact me about any problems, the better your chances of working something out. It will be the student’s responsibility to schedule a time for a makeup exam before the next class meets – no exceptions.

Attendance: I realize that emergencies and work-related travel may cause you to miss class. However, if you miss several classes you are being unfair to yourself, your group, and to me. The pace of the class is such that you will never catch up if you fall behind. Thus, more than two unexcused absences will result in your removal from the course. If a class is cancelled for any reason, to include snow, power outages, etc. we will begin 30 minutes early and stay 30 minutes late the next two weeks in order to catch up. I realize that some of you will not be able to do this, but no other makeup format has ever worked for me.
Blackboard: All course supplementary materials are available on Blackboard. It is your responsibility (1) to check announcements on Blackboard regularly and (2) to sync your most common e-mail account with your Xavier e-mail account – I will assume that everyone has access to Blackboard and either checks his/her campus e-mail regularly or forwards the e-mail to another account.

Expectations: Many MBA students find this course to be demanding, especially if they have no prior exposure to finance, or if it has been a while since they took a Finance 500-type class. The course is rigorous – we cover virtually all major financial decisions in a 3-hour course. A reasonable expectation would be 2-3 hours of out-of-class study for each hour of in-class time.

Each class will be a mix of lecture, discussion/case discussion, and problem solving. Bring your financial calculator and textbook to each class meeting to ensure active learning.

Ethics: We will often discuss ethical issues in class. Just as I expect corporations to act in an ethical manner, I expect you to do so as well. Unauthorized use of work that is not your own will result in a failing grade for the course and possible expulsion from Xavier University.

You will be allowed to use a one-page sheet with formulas but not definitions for the midterms and the final exam.
<table>
<thead>
<tr>
<th>WEEK</th>
<th>DATE</th>
<th>TOPICS</th>
<th>CHAPTERS</th>
<th>PROBLEMS</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>January 9</td>
<td>Introduction</td>
<td>1</td>
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<tr>
<td>3</td>
<td>January 23</td>
<td>Working Capital Management (Short-term Finance)</td>
<td>18,19,20</td>
<td>18:1-7,10,14,18, 19:9; 20:1-5</td>
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<tr>
<td>4</td>
<td>January 30</td>
<td>Discounted Cashflow</td>
<td>5,6</td>
<td>5:1-20, 6:1-19,22-23,37-38</td>
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<td>5</td>
<td>February 6</td>
<td>First Case Due (Financial Analysis and Working Capital) Valuing Bonds and Stocks</td>
<td>7,8</td>
<td>7:1-6,10-12,16,24-25, 8:1-5, 8</td>
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<td>6</td>
<td>February 13</td>
<td>First Exam Covering first 5 week’s material</td>
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<td>7</td>
<td>February 20</td>
<td>Capital Budgeting</td>
<td>9,10,11</td>
<td>9:1-3,7-12,19, 10:1-5,7,9-14</td>
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<td>SPRING BREAK</td>
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<td>8</td>
<td>March 6</td>
<td>Risk and Return</td>
<td>12, 13</td>
<td>12:1-6;13:11-16</td>
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<td>9</td>
<td>March 13</td>
<td>Cost of Capital and Raising Capital*</td>
<td>14, 15*</td>
<td>14:1-9</td>
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<td>10</td>
<td>March 20</td>
<td>Second Case Due — Capital Budgeting</td>
<td>16</td>
<td>16:1,4,5,10-14</td>
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<td>11</td>
<td>March 27</td>
<td>Second Exam covering material since first exam</td>
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<td>12</td>
<td>April 3</td>
<td>Dividends and Dividend Policy</td>
<td>17</td>
<td>17:2-7</td>
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<td>International Finance</td>
<td>21</td>
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<td>13</td>
<td>April 10</td>
<td>Behavioral Finance and Risk Management</td>
<td>22, 23</td>
<td>questions only</td>
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<td>14</td>
<td>April 17</td>
<td>Options and Futures and Derivatives</td>
<td>24-25*</td>
<td>questions only</td>
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<td>15</td>
<td>April 24</td>
<td>Pensions, Social Security and Wrap-up</td>
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<td>16</td>
<td>May 1</td>
<td>Final Exam (semi-comprehensive; 2/3 essay, 1/3 problems)</td>
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