2013

500-01 Corporate Finance

Tim Kruse
kruset@xavier.edu

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Instructor: Tim Kruse
Office: 232 Smith Hall
E-mail: kruset@xavier.edu
Office Phone: 513-745-3075
Office Hours: Monday/Wednesday 1:30 to 4:00 & 5:30 to 6 & after class
Class Meets: Monday 6:00-8:30 pm

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

**Learning Goals – Williams College of Business MBA**
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.

**Course Objectives:** This course is designed to introduce students to financial management and convey an understanding of the role of finance in the management scheme of modern organizations. In particular, I will focus on the big decisions that are typically made by corporations. The course will also introduce students to spreadsheets and sources of financial information on the web. The course is designed to prepare those students with an interest in additional finance courses with the foundation needed to continue in the curriculum. Ultimately my goal is to help students understand how finance will affect them professionally and personally. Additionally, I will spend some time covering the important finance related topics in the news.

**Student Learning Outcomes:** After completing this course students should be able to:
- Distinguish between debt and equity, analyze and calculate common financial ratios, apply time value of money formulas, value stocks and bonds, estimate cash flows, evaluate an investment decision, estimate a firm's cost of capital, discuss the role of risk in investment and financing decisions, and discuss firms' capital structure and dividend policies.

I expect students will also be aware of the top finance stories of the day. Bloomberg ([www.bloomberg.com](http://www.bloomberg.com)) and Yahoo! Finance ([finance.yahoo.com](http://finance.yahoo.com)) are two of many free sites with good finance news coverage. WSJ.com also has some free content, particularly market data.

Prerequisites: Students must have completed Accounting 500.

Classes: Each class will be a mix of lecture/presentation, discussion, and group problem solving. You are encouraged to participate through questions and comments. **Bring your calculator and textbook to each class meeting to ensure active learning.** The typical class meetings will begin with a short discussion of issues raised in the news.

Some of the topics covered in this course deals with the gray areas of financial management/policy making. Ideally, class discussions will lead us to “good answers” in place of “right answers”. PLEASE ASK QUESTIONS. If no one is asking questions, I can only assume that everyone understands the material. Thus, participation and preparation are critical.

Attendance is not mandatory, however, it is strongly recommended. While I do provide PowerPoint slides, there will be “holes” in them. Students are responsible for all in-class announcements (which will be in the first few minutes of class) and schedule changes.

Please keep classroom disturbances to a minimum. I reserve the right to adjust your grade as I see fit for repeated tardiness or disturbances. In addition, please turn off all cell phone ringers and pagers before you come into class. We can make exceptions for emergency situations; just apprise me of the situation before class begins.

Blackboard: All course supplementary materials will be available on Blackboard. **It is your responsibility to check announcements on Blackboard regularly** – I will assume that everyone has access to Blackboard and either checks their campus e-mail regularly or forwards the e-mail to another account.

Technology issues: It is the student’s responsibility to obtain a usable calculator before the first exam – **no programmable calculators are allowed during exams NOR may smart phones be used OR be visible in any way.**

Xavier University policies regarding privacy rights, incomplete work and attendance, and academic honesty will be strictly enforced. If an incident of academic dishonesty occurs, the most severe disciplinary action will be taken. Please see the current University catalog.

Students with disabilities: Students with disabilities who need special arrangements in classes and exams must inform the instructor as soon as possible but no later than the week before the first midterm.
Grading: You have two options.
   Option 1: Three exams, each worth 100 points
   Option 2: Three exams, each worth 75 points & three problem sets, each worth 25 points.

The problem sets will be due on the Wednesday before each test. You must tell me your preference by the first due date. The tests will be a mixture of short answer, True/False/MC questions, and problems.

Questions Regarding Grading: Any questions regarding grading must be addressed within one week of return of the graded tests.

Make-Up Exams: All exams must be taken on the date specified in the course calendar unless approval of a make-up exam is granted PRIOR to that date by the instructor. Without prior approval, make-up opportunities are limited to documented emergencies. The instructor discretion is used in determining whether a situation constitutes an emergency. 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.

Extra credit: To ensure fairness, no individual extra credit work is available.

Important Dates
   January 21 – Martin Luther King Day – no class
   February 11 – test 1
   February 25 – spring break – no class
   March 25 – test 2
   April 29 – test 3 (not cumulative)

Topic List: test 1 most likely will cover chapters 1 to 6 and test 2 will cover chapters 7 to 10 (subject to change)
1. Overview of Finance – Chapter 1
2. Overview of financial statements – Ch 2, Sections 1 to 3
3. Working with financial statements – Chapters 3 & 4.4
4. Time Value of Money – Chapter 5
5. Discounted Cash Flow Valuation – Chapter 6
6. Interest Rates and Bond Valuation – Chapter 7
7. Equity Markets and Stock Valuation – Chapter 8
8. Net Present Value etc – Chapter 9
9. Making Capital Investment Decisions – Chapter 10
10. Project analysis and evaluation – Chapter 11
10. Capital Market History – Chapter 12
11. Risk and Return – Chapter 13
12. Cost of Capital – Chapter 14
13. Raising capital – Chapter 15
Some good books for outside reading

*Liar’s Poker* & *The Big Short* by Michael Lewis
(Just about anything by Michael Lewis is good)

*Too Big to Fail* by Andrew Ross Sorkin

*When Genius Failed: The Rise and Fall of Long-Term Capital Management* by Roger Lowenstein

*Devil Take the Hindmost: A History of Financial Speculation* by Edward Chancellor

*Saving the Sun: A Wall Street Gamble to Rescue Japan from Its Trillion-Dollar Meltdown* by Gillian Tett

*Wall Street Meat* by Andy Kessler

*Running Money: Hedge Fund Honchos, Monster Markets and My Hunt for the Big Score* by Andy Kessler

*The Number* by Lee Eisenberg

Anonymous with n+1: *Diary of a Very Bad Year: Confessions of an Anonymous Hedge Fund Manager*

Carmen Reinhart & Kenneth Rogoff: *This Time is Different: Eight Centuries of Financial Folly*

John Mauldin and Jonathan Tepper: *Endgame: The End of the Debt Supercycle and how it Changes Everything* ([www.mauldineconomics.com](http://www.mauldineconomics.com) generally)