

MBA 504

Financial Management

Spring 2017

Instructor:	Bing-Xuan Lin	Class Time: Monday. 6:00 – 8:45 pm
Office:	Ballentine Hall – RM 309	Telephone: (401) 874-4895
Office Hours:	Monday 5:10 – 6:00 pm. and by appointment	Email: bingxuan@gmail.com

Course Objectives

The primary objective of this course is to provide the student with the theoretical background and the quantitative tools to make sound managerial decisions leading to the maximization of the value of the firm. Five primary issues, which will be developed in depth: firm valuation, the cost of capital, the capital budgeting decision, the financing decision, and financial forecasting.

Course Prerequisite:

Each student should have successfully completed MBA 500 and MBA 503 prior to taking this course. Concurrent registration in either is NOT acceptable.

Textbook:

Essentials of Corporate Finance with Connect

Stephen A. Ross, Massachusetts Institute of Technology

Randolph W. Westerfield, University of Southern California

Bradford D. Jordan, University of Kentucky

Copyright year: 2014

Connect Site:

<http://connect.mcgraw-hill.com/class/finance2017>

Course Requirements:

Class Preparation: Students are expected to prepare for class by reading and thinking about the assigned materials prior to attending class. Students are expected to be in a position to both respond to questions on the material and ask questions regarding the assigned subjects.

Class Participation: Class participation will be considered in assigning a final grade for the course. Students are encouraged to actively participate in the class; however the discussion should be conducted in an orderly way. Students should exercise common courtesy and pay close attention when their fellow classmates are speaking.

Late Work Policy: Late assignment will not be accepted and will receive zero point.

Miscellaneous: Please turn-off all electronic devices, such as IPAD and cellular phone, which might interrupt the class.

Academic Honesty: Any student found copying during exams or quizzes, using stored formulas in programmable calculators, using non-authorized formula sheets or other notes during exams, collaborating on and/or copying the course project (including from students in prior classes), or the like will receive an F for the course and possibly be subject to additional University disciplinary action.

Grading Policy:

Exams, Quizzes and Term Project:

- In class Quizzes and Midterm: There will be 13 online quizzes and one online midterm. Quizzes are designed to keep you up to date with the materials and to prepare you for the final exam. Quizzes will be timed (liberally) and will consist of true/false, multiple choice, short answer, matching, and calculation problems.
- Graded Individual Project: The details of the individual project can be found at the end of this syllabus.
- No makeup exams and quizzes will be given in this course. It is impossible to make an equivalent exam or quiz without placing the student at either an advantage of disadvantage. All exams and quizzes will be announced in the class in advance.
- There will be **two** exams, including the comprehensive final. All students are expected to take the comprehensive final.
- I do not give additional projects to increase one's grade before or after the final exam.

Grading:

- Below are the graded components and the weight of each component.

Online Midterm Exams:	30%	Quizzes:	20%
Term Project:	10%	Final Exam:	40%

- Grades will be assigned as follows:

Points	Letter Grade	Points	Letter Grade
93 - 100	A	73 - 76	C
90 - 92	A-	70 - 72	C-
87 - 89	B+	67 - 69	D+
83 - 86	B	60 - 66	D
80 - 82	B-	59 and below	F
77 - 79	C+		

Drop Day: The last drop day for the class is Feb 16.

Calculator:

It is necessary that you have a financial calculator to use throughout the course. Bring your calculator to class each day! Many Textbook problems require complex arithmetic operations, and a financial calculator is necessary to solve these problems efficiently. This is especially true for exams. The instructor recommends the use of **Texas Instruments BA II Plus** or **HP 17BII+** financial calculator.

Tentative Course Schedule (Subject to Change)

Week	Date	Chap.	Topics	Note:
1	Jan 23	1 2	Introduction to Corporate Finance Financial Statements and Cash Flow	Quiz 1 due on 1/29
2	Jan 30	2 3	Financial Statement and Cash Flow Working with Financial Statements	Quiz 2,3 due on 2/5
3	Feb 6	4 5	Introduction to Valuation: The TVM Discounted Cash Flow Valuation	Quiz 4,5 due on 2/12
4	Feb 13	5 6	Discounted Cash Flow Valuation Interest Rates and Bond Valuation	Quiz 6 due on 2/19
5	Feb 20		President's Day NO CLASS	
6	Mar 6	7	Equity Markets and Stock Valuation a	Quiz 7 due on 3/10
7	Mar 13		Spring Break NO CLASS Online Mid-term Exam Exam available on 3/10, due on 3/12	
8	Mar 20	8	Net Present Value and Other Investment Criteria	Quiz 8 due on 3/26
9	Mar 27	9	Making Capital Investment Decisions	Quiz 9 due on 4/2
10	April 3	10	Some Lessons from Capital Market History	Quiz 10 due on 4/9
11	April 10	11	Risk and Return	Quiz 11 due on 4/16
12	April 17	12	Cost of Capital	Quiz 12 due on 4/23
13	April 24	13	Leverage and Capital Structure	Quiz 13 due on 4/30
14	May 1		Review for the Final	
			Final Exam	Date to be Announced

MBA 504 Term Project Corporate Analysis

Data Collection

1. The purpose of this project is to acquaint you with various sources of financial information. **Be sure to include all requested items in the order they are listed below.** Choose a company currently covered by Value Line whose name begins with the same first letter as your last name. To make sure that your firm is covered by Value Line go to <http://www.valueline.com> and click the “Stocks” tab then “Quote”. You can search the ticker symbol here and type in the symbol in the box to find the basic stock information. Click the “News” Tab and summarize the most important news in the last months.
2. You will need to gather information from the company’ annual report. You should be able to get the information from the company’s home page on the Internet. For each firm the location of the annual report on the Internet site is different, however, it is often found under the Investor Relations, Investors’ Information sections. After finding the most recent annual report available, print the *President/CEO’s Letter* (this letter is often the first item in the Annual Report).
3. Go to finance.yahoo.com at <http://finance.yahoo.com>. Enter your company’s stock symbol and click “Go.” Click on “Company Profile” at the bottom of the page. Print the section on Corporate Governance. Click on “Analyst Opinion” on the left-hand-side of the page and print the page. Click on “Major Holders” under “ownership” and print the page.
4. Go to Reuters Investor at <http://www.reuters.com> Click “News & Markets” Tab and then “Stocks”. Enter your company’s name or stock symbol in the appropriate box and click “Financials.” Print the page that appears.
5. Go to the University of Rhode Island library homepage (<http://www.uri.edu/library>) Click on “Reference Databases,” then “Business, Law & Economics” then “LexisNexis Academic,” then “Business,” then “Company Financial Reports.” Next enter the company’s full name and click on “Search.” In the resulting list, look for a document that begins with “Copyright 2010 (or 2009) Disclosure Incorporated ...”, and then click on the document title. The document should contain financial information about the company including a relatively long list of financial ratios under the heading “Ratio Analysis.” Many of the ratios discussed in MBA 504 are available in this list. **DO NOT PRINT THE ENTIRE DOCUMENT.** Copy the section of the report with the financial ratios and print it.

Analysis

1. Using the President/CEO's Letter from the Annual Report and analysts' estimations of the future performance, discuss the outlook of the company. This analysis should be about a paragraph in length.
2. Examine the Analyst Ratings page you printed from Yahoo. Indicate whether analysts believe this is a stock you should buy at this time. Also, indicate whether analysts are more or less optimistic about the earnings prospects of this firm now than they were 90 days ago.
3. Examine the information you printed from Reuters. What is your company's P/E ratio? What is the 52-week price range for your firm's stock??
4. Using Yahoo, find out 1) What percentage of your firm's stock is owned by institutional investors 2) how would you evaluate the quality of corporate governance for your company?
5. Complete a financial statement analysis of the company using the information from the above mentioned data sources. Be sure to discuss significant changes in the Income Statement, Balance Sheet, and Statement of Cash Flows. Compare the financial ratios for the firm over time and also compare the company's most recent ratios to the industry averages/medians. (You should use at least two ratios from each of the categories we discussed in class: liquidity, asset management, debt, and profitability. Interpret how the company's ratios compare to those of the industry average. This requires answering the following questions. Is the company more or less liquid? Does the company use more or less debt? Is the company's use of assets more or less efficient than the industry? Is the company more or less profitable than the industry?) (Readily available ratios: Current ratio, quick ratio, inventory turnover, total asset turnover, days sales outstanding, debt ratio, times interest earned (maybe), net profit margin, return on assets, and return on equity.)
6. On a separate piece of paper, write a one page Executive Summary memorandum to me. The memorandum should summarize the significant findings from your analysis. The memorandum should conclude with your recommendation, based on your financial analysis, as to whether the stock of this company would be a good investment over the next five years.

FORMAT: Place all of your written work at the **beginning** of the paper. Include all items gathered from the Internet, library in the order it is listed above at the end of your project.