

**Fall Semester 2012**  
**BA 285T: Financial Management (MPA)**

**Unique 02230**

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**Course Objectives**

This course has the following objectives:

- Introduce the concepts and theories of modern financial management
- Develop an appreciation for the usefulness of these theories for financial decision making
- Increase the student's financial decision-making skills
- Provide an overview of current financial management theories and practices

**Required Materials**

**Required:** Corporate Finance by Ross, Westerfield and Jaffe, 9<sup>th</sup> ed, McGraw-Hill Irwin (please refer to Annex A for related chapters).

**Supplemental:** Selected chapters from Financial Management, Concepts and Applications, 3rd ed., 1995, Ramesh K.S. Rao, SouthWestern Publishing Co., Cincinnati, a division of International Thompson. The required chapters will be made available to students through the UT Copy Centers.

**Course Structure and Grading**

The course consists of lectures, optional homework assignments and two exams (a midterm and a comprehensive final). Relevant course materials are posted on Blackboard.

## **Lectures**

The lectures are designed to provide an understanding of the major elements of finance. The emphasis is on the logic underlying concepts, on how each concept is used in finance, and on how the concepts are interrelated. The lectures are not note taking drills; rather, they are dynamic sessions in which information is presented by the instructor via visual aids and through direct interaction with the class.

## **Homework**

Optional problem-solving practice assignments, with solutions, are available on Blackboard. These assignments have recommended problems from the RWJ text and some additional problems. It is important that you work through these problems on your own. The TA is available to help you with any questions you may have.

## **Quizzes and Exams (400 points)**

- **Two In-class Quizzes** (50 points each): September 5 and October 1.
- **Midterm exam** (100 points): September 19, beginning of class. The exam will cover relevant text chapters (RWJ and Rao), class lectures, and required readings.
- **Final Exam** (200 points): The final exam covers the whole course. The exam will cover relevant text chapters (RWJ and Rao) and class lectures.

## **Course Policies and Administrative Procedures**

- **Grades:** All grades are assigned after a careful examination of the work done. Any grade disputes should be submitted in writing to the TA after 24 hours and within two weeks of the receipt of the disputed exam/paper. No adjustments will be made after this two-week period.
- **Extra Problems:** Students can work out additional end-of-chapter problems in the text. Solutions to these problems are posted on Blackboard. Students having difficulty with these problems should seek help from the instructor or his assistant.
- **Missed Quizzes/exams:** Students missing exams/quizzes with valid excuses should notify the instructor, in advance, where possible. They will have the final exam weighted proportionally more. Note that work pressures and travel obligations are not considered valid excuses.

### **McCombs Classroom Professionalism Policy**

The highest professional standards are expected of all members of the McCombs School community. The collective class reputation and the value of the Texas MBA/MPA experience hinge on these standards. Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas MBA/MPA classroom experience is enhanced when:

**Students arrive on time.** Timely arrival ensures that classes are able to start and finish at the scheduled time. Timely arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.

**Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.

**Students are fully prepared for each class.** Much of the learning in the Texas MBA/MPA program takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but also their peers who count on them.

**Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

**Laptops are to be used only for class work.**

**Phones and wireless devices are turned off.**

### Academic Dishonesty

The McCombs School has no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the MBA/MPA degree and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

The responsibilities for both students and faculty with regard to the Honor System are described at <http://mba.mcombs.utexas.edu/students/academics/honor/index.asp> and within this syllabus. As the instructor for this course, I agree to observe all the faculty responsibilities described therein. During Orientation, you signed the Honor Code Pledge. In doing so, you agreed to observe all of the student responsibilities of the Honor Code. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. As specific guidance for this course, you should consider the *writing* of all examinations to be an individual effort without any use of books, notes, or other unpermitted aids. Group *preparation* for examinations is acceptable and encouraged.

### Honor Code Purpose

Academic honor, trust, and integrity are fundamental to The University of Texas at Austin McCombs School of Business community. They contribute directly to the quality of your education and reach far beyond the campus to your overall standing within the business community. The University of Texas at Austin McCombs School of Business Honor System promotes academic honor, trust, and integrity throughout the Graduate School of Business. The Honor System relies upon The University of Texas Student Standards of Conduct (Chapter 11 of the Institutional Rules on Student Service and Activities) for enforcement, but promotes ideals that are higher than merely enforceable

standards. Every student is responsible for understanding and abiding by the provisions of the Honor System and the University of Texas Student Standards Of Conduct. The University expects all students to obey the law, show respect for other members of the university community, perform contractual obligations, maintain absolute integrity and the highest standard of individual honor in scholastic work, and observe the highest standards of conduct. Ignorance of the Honor System or The University of Texas Student Standards of Conduct is not an acceptable excuse for violations under any circumstances.

The effectiveness of the Honor System results solely from the wholehearted and uncompromising support of each member of the Graduate School of Business community. Each member must abide by the Honor System and must be intolerant of any violations. The system is only as effective as you make it.

### **The Honor Pledge**

The University of Texas at Austin McCombs School of Business requires each enrolled student to adopt the Honor System. The Honor Pledge describes the conduct promoted by the Honor System, as follows:

"I affirm that I belong to the honorable community of The University of Texas at Austin Graduate School of Business. I will not lie, cheat or steal, nor will I tolerate those who do."

"I pledge my full support to the Honor System. I agree to be bound at all times by the Honor System and understand that any violation may result in my dismissal from the Graduate School of Business."

### **Students with Disabilities**

Upon request, The University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located in the Student Services Building. Additional information is available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.

# Schedule

In the schedule below, “RWJ” refers to the Ross, Westerfield and Jaffee text and “Rao Chapter” refers to chapters in the Rao text

## Block 1: The “Big Picture”

Discussion of Course, Class Procedures, and the "Big Picture."

**RWJ Chapter 1.** Introduction to Corporate Finance

**Rao Chapter 1.** The Firm and its Environment

**Rao Chapter 2.** Maximizing Stockholders' Welfare

## Block 2: Operating and Financial Leverage

**Rao Chapter 19.** The Impact of Operating and Financial Decisions on Cash Flows

→ Do Wyoming Gas and Electric Mini-case (Blackboard) ←

## Block 3: Time Value of Money, Bonds and Stocks

**RWJ Chapter 4:** Discounted Cash Flow Valuation

**Note 1:** Printer-friendly time value tables, time value formulas, and “Financial Functions in Excel,” posted on Blackboard.

**RWJ Chapter 8:** Interest Rates and Bond Valuation

**RWJ Chapter 9:** Stock Valuation

**RWJ Chapter 15:** Long-Term Financing: An Introduction

**Note 2:** Depending on time constraints, we may not cover Chapter 15 in class. This is a very descriptive chapter and you will be responsible for reading it on your own.

## Block 4: Capital Budgeting

**RWJ Chapter 5:** Net Present Value and Other Investment Rules

**RWJ Chapter 6:** Making Capital Investment Decisions

Supplement on Capital Budgeting under Inflation, posted on Blackboard

## **Block 5: Capital Markets, Risk and Return, Cost of Capital**

**RWJ Chapter 10:** Risk and Return: Lessons from Market History

**RWJ Chapter 11:** Return and Risk: The Capital Asset Pricing Model (CAPM)

**RWJ Chapter 13:** Risk, Cost of Capital, and Capital Budgeting

## **Block 6: Cost of Capital and Capital Budgeting and Financial Distress**

**RWJ Chapter 16:** Capital Structure: Basic Concepts

**Rao Chapter 16:** Resolving Financial Distress

## **Block 7: Investment Banking and Efficient Markets**

**RWJ Chapter 20:** Issuing Securities to the Public

Update on Investment Banking (on Blackboard)

**RWJ Chapter 14:** Efficient Capital Markets and Behavioral Challenges (time permitting)