



## BA 385T – FINANCIAL MANAGEMENT

FALL 2018 (UNIQUE #02020)

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<b>Course Web Page</b>	Canvas	Canvas
<b>Teaching Assistant</b>	TBA	N/A

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### COURSE OBJECTIVES

As you pursue your degree in Business Analytics, it is important that you understand the environment in which you will operate and the language that is used. BA 385T provides an introduction to the fundamental concepts and language of accounting and finance.

During the first half of the semester we study cost accounting systems that provide valuable information for management planning and control. Organizations rely on accurate cost information to decide on which products to keep and which products to discontinue, for assessing productivity improvements, for pricing decisions, to decide whether or not to enter a new market, for performance evaluation and control, and much more. An improperly designed cost accounting system can lead to costly errors in decision-making. Through a number of case studies supplemented by some lectures, this course exposes students to recent advances in cost accounting, and highlights important inputs into the design of cost systems. The cases cover a variety of decision-making settings and illustrate the role of cost information in these settings.

During the second half of the semester, we will study how firms maximize shareholder value through the investment decision and the financing decision. We will spend significant time studying the time value of money (in great detail) and will use that to understand how to value projects, bonds, stock and an entire firm.

## MATERIALS AND PREREQUISITE

### Text

Jonathan Berk and Peter DeMarzo: *Corporate Finance*. Fourth edition. Pearson, Addison Wesley, 2017. (NOTE: you will also be fine with the 3<sup>rd</sup> edition.)

Srikant Datar, Madhav Rajan: *Horngrén's Cost Accounting: A Managerial Emphasis*, 16<sup>th</sup> edition, Pearson, 2017, recommended but not required.

### Packet

*Corporate Finance*, by Sanford J Leeds (2018), available from the GSB Copy Center; or, you can also print a copy yourself (soft copy on Canvas); you must bring a hard copy to class as we will not be using laptops in class.

*Accounting Course Packet*, available from the GSB Copy Center

### Calculator

You will need a business calculator for this class. The calculator should have the following keys: IRR, n, i, PV, PMT, FV, and CF. As long as those keys are present, the calculator is fine. The **HP 10bii (or 10bii+)** is probably the easiest to use (and is available on Amazon). I will be using the HP 10bii or 10bii+ to give instructions. **Please be sure to bring a financial calculator to every meeting of the finance portion of this course.**

### Prerequisite

This is a first semester course in the M.S. in Business Analytics program. Enrollment is limited to students enrolled in this program.

## COURSE GRADING

### First Half of Semester: Accounting

Midterm Exam: 45%

Homework: 5%

### Second Half of Semester: Finance

Final Exam: 40%

Homework: 10%

Grades: Your final course grade will be assigned based on a ranking system (which will average your rank in each half of the course). In order to be eligible to participate in the ranking system (and pass this class), **you must pass each half of the class** (with a grade of C or higher). If a student is allowed to remedy the failed half of the class, he/she will receive a final course grade lower than the grade given to any student who passed both halves of the class.

In addition to the grading scale described above, individual grades can be adversely affected by acts of academic dishonesty, poor attendance (including late arrival to class) or otherwise disrupting the learning environment.

Finance Attendance: during the finance half of the class, you will not be penalized for your first unexcused absence. Each unexcused absence after your first will result in your final finance rank dropping by ten spots. If you have more than three unexcused absences, you cannot pass this half of the class. During the finance half of the class, you may also have two excused absences. An absence is excused if it is for an **off-campus** interview and you notify the instructor by email **two days prior to class**.

Accounting Exam: Exams will be individually-completed closed-book exams. The exams will consist of problems, essay questions, and short answer questions. You may bring a non-programmable calculator to the exams.

Finance Exam: Your finance exam will be approximately 65% - 80% quantitative, but you will receive more detail before the exam (and the quantitative percentage could change). I do not release old exams. I have found that releasing old exams is problematic because (1) it results in people studying "to the exam" rather than studying to learn; and (2) students inevitably feel that old exams are easier than the current exam. In addition, I do not allow students to keep their exams. This maintains the fairness of exams, since you know that no one has seen old exams. If, for any reason, you should come in contact with an old exam, I request that you (1) not review it; and (2) notify me immediately.

Exam Dates: The Accounting exam (the "Midterm") will be administered on Wednesday, October 17<sup>th</sup> from 11 AM – 2 PM (GSB 3.106). The Finance exam (the "Final exam") will be on Friday, December 14<sup>th</sup> from 9 AM – noon (GSB 3.104).

## HOMEWORK

**Accounting Homework:** Every student is required to produce a short report for each case (not longer than one page). The reports should address the following questions: "What are the main issues in the case and how can these issues be addressed?" The goal of the homework reports is to ensure that students have read each case and understand the problems studied in the case.

Students have to submit/upload the homework case reports on Canvas **no later than 11:59pm on the day before the case is discussed** (e.g. the deadline for the Giberson's Glass Studio case is 11:59pm on Tuesday, September 4<sup>th</sup>). Canvas will not allow you to submit your homework after the deadline. Homework will be graded on a scale of 2 (reasonable effort), 1 (not a good effort), and 0 (not turned in). Your lowest homework score will be dropped. Verbal collaboration (i.e., talking about the assignment) on homework is allowed. However, the prepared assignment should be your own work (do not borrow, copy or transfer answers or files from anyone else). For classes in which there is no case discussion, you do not need to prepare a case report.

**Finance Homework:** In Finance, we have Collected Homework (which is part of the grade) and Uncollected Homework (which you need to do in order to prepare for the exam).

The **Collected** Homework will include two homework sets. You will have one week to complete each set. The Collected Homework may be done (and submitted) either individually or with one other person. There should be no collaboration between different groups or with anyone outside of your group. In addition, looking at past solutions (written by the professor or by any former student) will be considered to be an act of academic dishonesty.

The **Uncollected** Homework consists of (A) problems that I have written (problems and solutions are on Canvas) and (B) problems at the end of the chapters. These problems will help to reinforce the concepts we are studying. They will also help you to prepare for the exam. While I do not collect these problems, you will find the exam to be very difficult if you have not spent time working these problems.

## PREPARATION FOR CLASS

**Accounting Class Prep:** The Datar and Rajan book is an excellent textbook and I recommend that you read the relevant sections to guide your understanding of this material.

I will sometimes suggest homework problems from the textbook in class. I do not collect or grade these problems. The solutions to the suggested problems will be made available. If you are having trouble understanding a homework problem or solution, please discuss it with the TA.

**Practical Guidance:** If it is in the text but I don't assign it in a problem or cover it in class, odds are very slim that it will be a significant component of the exam. Budget your time accordingly.

**Finance Class Prep:** With respect to the time that you allocate to this class, I prefer that you spend time reviewing material after class (and working problems) rather than preparing for class. With that said, if this material is difficult for you, there are taped lectures (on Canvas) that may help you (and it may help you to listen to the tape prior to class). I may ask you to listen to a tape prior to class (if we're running behind) – but usually these tapes will simply help you if you miss class.

You should use the text if you did not understand what we discussed or if you need more information. (Please understand: I will **not** hold you responsible for topics covered in the text that are not in the packet or the homework. The packet and class notes contain everything that you need to know.)

You will learn finance by working problems. If you attend class and work the Uncollected Homework in a timely fashion, you will do well. If you don't work the problems in a timely fashion, this will be a very difficult class. Study the course packet consistently.

Since you won't have time to do the homework problems again and again, let me suggest a good way to study. After you work the problems, every few days you should go back and re-read the questions. By doing this, you will trigger the thought process that you had to go through in order to answer the question. And always remember, it's not a matter of whether you are able to answer the question the first time you see it...the issue is whether you can recognize it and answer the question in the future (and whether you can apply these concepts to the real world).

## KEY DATES FOR SEMESTER

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Midterm Exam: Wednesday, October 17<sup>th</sup> (11 AM – 2 PM; GSB 3.106)

Final Exam: Friday, December 14<sup>th</sup> (9 AM – noon; GSB 3.104)

**THERE ARE NO MAKE-UP EXAMS. LATE HOMEWORK IS NOT ACCEPTED.**

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## Schedule – First Half of Semester (14 Class Periods)

Date	Topics	Cases	Text
W – Aug. 29	Course Introduction and Basics in Cost Behavior	None	
M – Sep. 3	Labor day		
W – Sep. 5	Cost Behavior, Product Costing, Relevant Costs	Giberson's Glass Studio	Chapter 2
M – Sep. 10	Cost Allocation	Seligram, Inc	Chapter 4
W – Sep. 12	Activity-Based Costing and Customer Profitability	None	Chapter 5
M – Sep. 17	Activity-Based Costing and Corporate Strategy	Siemens Electric Motor Works (A)	Chapter 5
W – Sep. 19	Capacity Analysis	Anagene and Youngstown	Chapter 9
M – Sep. 24	Activity-Based Costing, Capacity	Wilkerson Company	Chapter 5, 9
W – Sep. 26	Joint Production Costing, Profitability, Strategy	Wendy's Chili	Chapter 16
M – Oct. 1	Product Costing, Strategic Competition	Dogfight over Europe: Ryanair (A)	None
W – Oct. 3	Performance Measurement	Performance Pay at Safelite Auto Glass (A)	Chapter 23
M – Oct. 8	Balanced Scorecard, Performance Evaluation	Citibank	Chapter 12
W – Oct. 10	Decentralization and Transfer Pricing	None	Chapter 22
M – Oct. 15	Decentralization and Transfer Pricing	San Francisco Bay Consulting	Chapter 22
W – Oct. 17	<b>MIDTERM EXAM</b>		

**Schedule – Second Half of Semester (14 Class Periods)**

<b>Date</b>	<b>Topics</b>	<b>Packet Units</b>	<b>Text Chap.</b>	<b>End-of-Chapter Problems (3<sup>rd</sup> Ed.)</b>	<b>End-of-Chapter Problems (4<sup>th</sup> Ed.)</b>
M – Oct. 22	Time Value of Money	3	3,4,5		
W – Oct. 24	Time Value of Money	3	3,4,5	<b>Chap 4:</b> 1,8,10,12,18,20, 24,25,30A,31, 34,41,43,46	<b>Chap 4:</b> 1,8,10,12,18,20, 24,25,31A,32, 35, 42,44,47
M – Oct. 29	Time Value of Money	3	3,4,5	<b>Chap 3:</b> 1,2,6,8,9,10, 15,16,18,19 <b>Chap 3 Appendix:</b> 5,6 <b>Chap 5:</b> 4,6,25,36	<b>Chap 3:</b> 1,2,6,8,9,10, 15,16,18,19 <b>Chap 3 Appendix:</b> 5,6 <b>Chap 5:</b> 4,6,25,36
W – Oct. 31	Time Value of Money	3	3,4,5		
M – Nov. 5	Loans and Bonds (Applications of TVM)	4	5,6	<b>Chap 4:</b> 13,21,36,37,38,39 <b>Chap 5:</b> 14,20,22 <b>Chap 6:</b> 6,10,11,17,27	<b>Chap 4:</b> 13,21,37,38,39,40 <b>Chap 5:</b> 14,20,22 <b>Chap 6:</b> 6,10,11,17,28
W – Nov. 7	Dividend Discount Model (Applic. of TVM)	4	9	<b>Chap 9:</b> 4,5,6,8,11,13,16, 19	<b>Chap 9:</b> 4,5,6,9,11,13,16, 19
M – Nov. 12	Dividend Discount Model (Applic. of TVM)	4	9		
W – Nov. 14	Risk and Return	5 and 6	10,11,12	<b>Chap 10:</b> 2,7,11,27,37 <b>Chap 11:</b> 2,5,6,11,17,27,33, 38,48 <b>Chap 12:</b> 1,2,4,15	<b>Chap 10:</b> 2,7,11,27,37 <b>Chap 11:</b> 2,5,6,11,17,27,33, 38,48 <b>Chap 12:</b> 1,2,4,15
M – Nov. 19	Intro to Capital Budgeting	7	7	<b>Chap 4:</b> 15,47 <b>Chap 7:</b> 2,6,9,17,18,20, 21,23,25,30	<b>Chap 4:</b> 15,48 <b>Chap 7:</b> 2,6,10,19,20, 22,23,25,27,32
M – Nov. 26	Intro to Capital Budgeting				
W – Nov. 28	Financial Statements and Free Cash Flow	8	2	<b>Chap 2:</b> 17	<b>Chap 2:</b> 17
M – Dec. 3	Capital Budgeting	9	8	<b>Chap 8:</b> 2,6,7,9,12,14,16	<b>Chap 8:</b> 2,6,7,9,12,15,17
W – Dec. 5	Capital Budgeting				
M – Dec. 10	Catch Up				
F – Dec. 14	Final Exam				

*The course schedule, if need arises, may be changed. These changes will be announced beforehand.*

## **Classroom Professionalism Policy**

The classroom is a professional environment. As a result, you should expect professional behavior from the faculty and we should expect professional behavior from the students. You should expect that: (1) the faculty will start class on time; (2) we will be well prepared for class; (3) we will be respectful to you (and any questions you may have); and (4) we will set a time outside of class when we are available to answer your questions.

Similarly, we should expect you: (1) to arrive on time for class (2) to try to minimize any disruptions in class (no laptops in class, turn cell phones off, don't text or check email, please ask questions to the faculty rather than your neighbor, etc.); (3) to be prepared for class; and (4) to respect your peers and the faculty.

## **Academic Dishonesty**

We have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the 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.

As specific guidance for this course, you should not try to seek guidance about exams or types of questions from students who have previously taken this class. You should not do anything to aid future students in the testing process. Helping fellow students learn is an important part of our culture. I believe that it is easy to distinguish the attempt to help someone learn as opposed to the attempt to pass on information about exams.

## **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.

## **Faculty Involvement in the Honor System**

The University of Texas at Austin McCombs School of Business Faculty's commitment to the Honor System is critical to its success. It is imperative that faculty make their expectations clear to all students. They must also respond to accusations of cheating or other misconduct by students in a timely, discrete and fair manner. We urge faculty members to promote awareness of the importance of integrity through in-class discussions and assignments throughout the semester.

### **Expectations Under the Honor System**

#### **Standards**

If a student is uncertain about the standards of conduct in a particular setting, he or she should ask the relevant faculty member for clarification to ensure his or her conduct falls within the expected scope of honor, trust and integrity as promoted by the Honor System. This applies to all tests, papers and group and individual work. Questions about appropriate behavior during the job search should be addressed to a professional member of the Career Services Office. Below are some of the specific examples of violations of the Honor System.

#### **Lying**

Lying is any deliberate attempt to deceive another by stating an untruth, or by any direct form of communication to include the telling of a partial truth. Lying includes the use or omission of any information with the intent to deceive or mislead. Examples of lying include, but are not limited to, providing a false excuse for why a test was missed or presenting false information to a recruiter.

#### **Stealing**

Stealing is wrongfully taking, obtaining, withholding, defacing or destroying any person's money, personal property, article or service, under any circumstances. Examples of stealing include, but are not limited to, removing course material from the library or hiding it from others, removing material from another person's mail folder, securing for one's self unattended items such as calculators, books, book bags or other personal property. Another form of stealing is the duplication of copyrighted material beyond the reasonable bounds of "fair use." Defacing (e.g., "marking up" or highlighting) library books is also considered stealing, because, through a willful act, the value of another's property is decreased. (See the appendix for a detailed explanation of "fair use.")

## **Cheating**

Cheating is wrongfully and unfairly acting out of self-interest for personal gain by seeking or accepting an unauthorized advantage over one's peers. Examples include, but are not limited to, obtaining questions or answers to tests or quizzes, and getting assistance on case write-ups or other projects beyond what is authorized by the assigning instructor. It is also cheating to accept the benefit(s) of another person's theft(s) even if not actively sought. For instance, if one continues to be attentive to an overhead conversation about a test or case write-up even if initial exposure to such information was accidental and beyond the control of the student in question, one is also cheating. If a student overhears a conversation or any information that any faculty member might reasonably wish to withhold from the student, the student should inform the faculty member(s) of the information and circumstance under which it was overheard.

## **Actions Required for Responding to Suspected and Known Violations**

As stated, everyone must abide by the Honor System and be intolerant of violations. If you suspect a violation has occurred, you should first speak to the suspected violator in an attempt to determine if an infraction has taken place. If, after doing so, you still believe that a violation has occurred, you must tell the suspected violator that he or she must report himself or herself to the course professor or Associate Dean of the Graduate School of Business. If the individual fails to report himself or herself within 48 hours, it then becomes your obligation to report the infraction to the course professor or the Associate Dean of the Graduate School of Business. Remember that although you are not required by regulation to take any action, our Honor System is only as effective as you make it. If you remain silent when you suspect or know of a violation, you are approving of such dishonorable conduct as the community standard. You are thereby precipitating a repetition of such violations.

## **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 best describes the conduct promoted by the Honor System. It is 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 on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259, 471-6441 TTY or via e-mail if you have any questions.