

# EMBA Program in Mexico City

## FINANCIAL MANAGEMENT: Spring 2014

Professor: Scott R. Sanderson, CPA  
Voice Mail: 817-875-8905  
E-Mail: Scott.Sanderson@ mcombs.utexas.edu

Professor: Dr. Ronnie R. Shah, Ph.D., CFA  
Voice Mail: 609-576-8012  
E-Mail: Ronnie.shah@mcombs.utexas.edu

Teaching Assistants: Trevor Howard  
Email: Trevorphoward@gmail.com

### Course Objectives

- Introduce the concepts and theories of modern financial management
- Understand the usefulness of these theories for financial decision-making
- Develop financial decision-making skills
- Provide an overview of best practices for application of financial management theories

### Text

**Required:** Corporate Finance by Berk and DeMarzo. Pearson Education, 2<sup>nd</sup> Edition.

### Course Structure and Grading

The course consists of lectures, five homework assignments (not graded), class case discussions, four in-class exams, and a final exam.

**Lectures:** The lectures are designed to provide an understanding of the major elements of finance. The emphasis is on the logic underlying each concept, 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 Assignments:** Six Problem Sets are posted on Blackboard for problem-solving practice. These will not be graded. These assignments contain problems in addition to those in the Berk and DeMarzo [BDM] Chapters. It is important that you work through these on your own and compare your answers with the solutions. Solutions to these problems are also posted on Blackboard. Those needing additional problem-solving practice should attempt more Berk and Demarzo [BDM] problems. Solutions to these are posted separately on Blackboard.

**Case Discussions (where applicable):** No written analysis will be required to be turned in but you should have prepped the case before class and be prepared to discuss your analysis of the case. Instructors may cold call students to give their analysis of the case. You may work with

your study group in preparing the case analysis.

**Exams (400 points):** There are four exams worth 100 points each.

Starting with Session 2, the first 45 minutes-1 hour of each finance session will be an in-class exam covering the material from previous session(s). Details will be provided in class.

**Final Exam (100 Points):** A semi-cumulative final exam covering topics identified by the professors will be given at the end of the course, on a date and time to be determined.

**Financial Calculator for Exam:** For this course, you will need a financial calculator. It will be primarily be used for exams so you do not need to buy anything elaborate - just the basics. Any financial calculator that has at least the keys of "FV, PV, PMT, N, and I" will suffice. These keys stand for FV Future Value, PV Present Value, PMT Payment, N Number of Periods, and I Interest Rate. While the specific type of calculator is up to you, one suggested calculator from is the BA II Plus from Texas Instruments (TI) that has been popular due to its fairly straight forward instructions. Prices generally run from \$20 USD and up from sources such as EBay.

### **Intensive Session Review – [Co-Teach] Finance Fundamentals Associated**

**Sanderson: BDM: Chapter 1:** The Corporation

**Sanderson: Rao Chapter 2:** Maximizing Stockholders' Value (handout will be provided)

**Shah: BDM Chapter 3:** The Law of One Price and Financial Decision Making

**Shah: BDM Chapter 4:** The Time Value of Money

**You should now be able to do Problem Set 1**

#### **Session 1: Shah**

*Friday January 24 / Saturday January 25*

**Topics:** Review of Time Value and Operating/Financial Leverage from Austin Intensive Sessions, Interest Rates, Bond and Stock Valuation, and Capital Budgeting

**Readings:** *(Required)*

**BDM Chapter 5:** Interest Rates

**BDM Chapter 6:** Valuing Bonds

**BDM Chapter 8:** Fundamentals of Capital Budgeting

**BDM Chapter 9:** Valuing Stocks

**You should now be able to do Problem Set 2**

#### **Session 2: Shah**

*Friday February 7 / Saturday February 8*

**In-Class Exam:** The first 45-minutes of session 2 will be the administration of an in-class exam covering topics presented in session 1.

**Topics:** More on NPV, Valuation, Risk and Return, Introduction to Capital Markets, Financing and Market Efficiency

**Readings:** *(Required)*

**BDM Chapter 10:** Capital Markets and the Pricing of Risk

**BDM Chapter 11:** Optimal Portfolio Choice and the Capital Asset Pricing Model

**BDM Chapter 12:** Estimating the Cost of Capital

**Readings** *(Optional):*

**BDM Chapter 13:** Investor Behavior and Capital Market Efficiency

**You should now be able to do Problem Set 3**

### **Session 3: Sanderson**

*Saturday February 22 / Friday March 21 / Saturday March 22*

**In-Class Exam:** The first 45-minutes<sup>1</sup> of session 3 will be the administration of an in-class exam covering topics presented in session 2.

**Topics:** Financial Statement Analysis, Working Capital Management, Asset Forecasting and External Funds Requirements

**Readings** *(Required):*

**Financial Statement Analysis**

**BDM Chapter 2:** Introduction to Financial Statement Analysis

**Working Capital Management and Asset Planning**

**BDM Chapter 26:** Working Capital Management

**BDM Chapter 27:** Short-Term Financial Planning

**You should now be able to do Problem Set 4**

### **Session 4: Sanderson**

*Friday April 4 / Saturday April 5*

**In-Class Exam:** The first 45-minutes of session 4 will be the administration of an in-class exam covering topics presented in session 3.

**Topics:** More on Risk and Capital Budgeting, Debt and Equity, financial distress resolution, Mergers and Acquisitions

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<sup>1</sup> To be administered Saturday Feb 22.

**Readings (Required):**

**BDM Chapter 14:** Capital Structure

**BDM Chapter 15:** Debt and Taxes

**BDM Chapter 16:** Financial Distress

**Readings (Optional):**

**BDM Chapter 28:** Mergers and Acquisitions

**You should now be able to do Problem Set 5**

**Session 5: Shah**

*Saturday April 26*

**In-Class Exam:** The first 45-minutes of session 5 will be the administration of an in-class exam covering topics presented in session 4.

**Topics:** Business Valuation, Cost of Capital, Dividends and Payout Policy

**Readings (Required):**

**BDM Chapter 18:** Capital Budgeting and Valuation with Leverage

**BDM Chapter 19:** Valuation and Financial Modeling: A Case Study

**Readings (Optional):**

**BDM Chapter 17:** Dividends and Payout Policy

**You should now be able to do Problem Set 6**

**Final Exam will be at a date & time to be determined**

## **Students with Disabilities**

Any student with a documented disability who requires academic accommodations should contact Services for Students with Disabilities at 512-471-6259 (voice) or 1-866-329-3986 (Video Phone) as soon as possible to request an official letter outlining authorized accommodations. For more information, please visit the Division of Diversity and Community Engagement website <http://www.utexas.edu/diversity/ddce/ssd>.

## **Religious Holidays**

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

## **Academic Dishonesty**

The University Honor Code states: "The core values of the University of Texas at Austin are learning, discovery, freedom, leadership, individual opportunity, and responsibility. Each member of the University is expected to uphold these values through integrity, honesty, trust, fairness, and respect toward peers and community". A fundamental principle for any educational institution, academic integrity is highly valued and seriously regarded at The University of Texas at Austin. More specifically, you and other students are expected to maintain absolute integrity and a high standard of individual honor in scholastic work undertaken at the University [http://deanofstudents.utexas.edu/sjs/acint\\_student.php](http://deanofstudents.utexas.edu/sjs/acint_student.php). At a minimum, you should complete any assignments, exams, and other scholastic endeavors with the utmost honesty, which requires you to:

- Acknowledge the contributions of other sources to your scholastic efforts
- Complete your assignments independently unless expressly authorized to seek or obtain assistance in preparing them
- Follow instructions for assignments and exams, and observe the standards of your academic discipline
- Avoid engaging in any form of academic dishonesty on behalf of yourself or another student

For the official policies on academic integrity and scholastic dishonesty, please refer to Chapter 11 of the Institutional Rules on Student Services and Activities

<http://deanofstudents.utexas.edu/sjs/downloads/InstitutionalRules1112.pdf>.

**The instructor of this class will not tolerate any kind of dishonesty. If there is evidence of such kind of inappropriate behavior, he will make sure that it is disciplined to the maximum extent possible.**