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BFIN 429.01: Financial Management I - Theory and Analysis

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BFIN 429

FINANCIAL MANAGEMENT I

Professor: Keith Jakob, Ph.D.
Email: keith.jakob@business.umt.edu

Office: GBB 318
Office Phone: 243-6159

Semester: Spring 2016

Sections: 01 TuTh 9:40 – 11:00 GBB L11
02 TuTh 11:10 – 12:30 GBB L11

Office Hrs: TuTh 12:40 to 2:00, other times available by appointment.

Web page: <http://www.business.umt.edu/FacultyStaff/KeithJakob.aspx>

Teaching Assistant: TBA
Office: GBB L32
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Email:
Office Hours:

Course Description:

This course is typically the first part of a two part senior level course in Financial Management. This course examines theory and techniques of Corporate Financial Management. In this first course we will concentrate on Financial Analysis, Long and Short Term Financial Planning, and Capital Budgeting. This course emphasizes problem solving and is technology oriented. Students will be required to develop several spreadsheet models.

There are two parts to solving almost any financial management problem. First is the analysis. By developing a degree of comfort with spreadsheet modeling, students will be able to analyze data more efficiently and effectively. Second, are the interpretation, conclusions and recommendations that come from our analysis. By increasing proficiency in analyzing data, students will be able to spend more time developing their conclusions and recommendations. Upon completing this course, a student will be able to:

- Define the primary goal of financial management. Students should be able to understand how firms create shareholder value, and recognize how agency conflicts arise and are mitigated. This rigorous class requires students to build upon the concepts learned in BFIN 322 and apply them in realistic business situations.
- Construct and explain the Capital Asset Pricing Model and the security market line. Compute covariance and correlation coefficients. Interpret beta and differentiate between diversifiable and non diversifiable risk.
- Calculate bond yields with differing maturities and rates. Discriminate between interest rate risk and reinvestment rate risk. Discuss bond ratings and how sinking funds impact them.

- Calculate stock prices using the CAPM and the dividend growth model. Differentiate between constant and non constant dividend growth models. Examine the three forms of the Efficient Market Hypothesis.
- Construct balance sheets and income statements. Develop and analyze financial ratios to make corporate finance decisions. Judge how taxes and dividends influence the decision making process.
- Set up and analyze the DuPont Model. Evaluate how each component of the model impacts and provides details of ROE.
- Predict the amount of additional funds needed using equations and financial statements. Distinguish how economies of scale, lumpy assets, and excess capacity impact AFN.
- In depth calculation and evaluation of Weighted Average Cost of Capital. Calculate cost of equity using CAPM, DCF, and bond-yield-plus-risk-premium methodology. How does float cost impact WACC and discuss why WACC changes over time.
- Construct and contrast six ways of making capital decisions. Analyze how unequal life can impact the decision making process.
- Calculate Corporate Free Cash Flow and value of the firm. How do externalities and sunk costs impact NPV. Illustrate how real options impact the decision making process.
- Understand risk analysis, stock price determination, financial modeling, and cost of capital. Use excel to analyze data.
- Prepare, examine and construct detailed cases of the capital budgeting process. Evaluate whether a project should be undertaken after examining the relevant capital budgeting decisions.
- Extensively relate material to current events in corporate and financial market activity to tie theory and practice.

All course materials can be found on Moodle.

Text Books:

E.F. Brigham, and P.R. Daves, Intermediate Financial Management, 12th Edition, Cengage 2016.
(Required) ISBN:978-1-285-85003-0

Financial Press: Wall Street Journal, Business Week, and/or Barrons (Recommended)

Financial calculator (required):

I recommend that students learn to use the Texas Instruments BAI PLUS financial calculator. Becoming familiar with this calculator will help you to solve more real world problems. This is one of two calculators used in the finance department and is the one that I will be using for the course.

School of Business Administration/Mission Statement

The University of Montana's School of Business Administration enhances lives and benefits society by providing world-class business education in a supportive, collegial environment.

We accomplish this mission by acting on our shared core values of creating significant experiences, building relationships, teaching and researching relevant topics, behaving ethically, and inspiring individuals to thrive.

Shared Core Values

Create Significant Experiences

We are dynamic, innovative teachers.

Build Relationships

We engage and we care.

Be Relevant

We do what matters and do it well.

Act Ethically and With Integrity

We do the right things.

Inspire Individuals to Thrive

We encourage and stimulate personal and professional growth.

Exams, Spreadsheets, and Cases:

Exams (3) 69% (23% for each exam)

Spreadsheets/other Assignments 15%

Cengage Now Problems 16%

Exams

Exam format will consist of multiple choice, short-answer questions and problems. Exam questions will be closely related to assigned problems, and spread sheet assignments. Once the exam has been passed out, students are not to leave their seats other than to pass in the exam when finished. Raise your hand if you need any assistance.

Spreadsheets/Other assignments:

There will be several spreadsheet/other assignments. Each assignment will be an individual assignment. These problems will require you to develop models to analyze different financial problems.

All spreadsheet problems must be completed in Microsoft Excel and submitted via moodle. Assignments will not be accepted late.

More details about the specific assignments will be provided in class.

Homework:

For this semester we will be using the CENGAGE NOW online homework tool. These are excellent questions and problems based on the back of the text that I think you should be able to complete for test purposes. These assignments are worth 16% of your grade!

Cengage now course key:

<https://login.cengagebrain.com/course/E-24Y5556MDM3>

Separate assigned problems from the back of the chapters will be assigned but will not be collected. You should do these questions and be prepared to go over them in class.

Attendance:

I cannot overstate the importance of regular attendance. If you feel that you will not be able to attend class regularly, then this is not the course for you. Even though I post the notes on the web, you will still need to be in class to learn the material.

Grade Scale:

I will use "+" and "-" along with the standard letter grades to report your final grade. The grading scale is presented below and is after any curve.

$A \geq 93$	$77 \leq C+ < 80$
$90 \leq A- < 93$	$73 \leq C < 77$
$87 \leq B+ < 90$	$70 \leq C- < 73$
$83 \leq B < 87$	$60 \leq D < 70$
$80 \leq B- < 83$	$F < 60$

Course grades are non-negotiable, I do not give out "extra credit" assignments to improve final grades and incompletes are not given due to a failing grade.

Student Code of Conduct:

All students are expected to be familiar with University of Montana's Code of Conduct. Specifically you should have read Section IV, Academic Conduct. You can download a copy at: http://life.umt.edu/vpsa/student_conduct.php

Email:

Faculty may only communicate with students regarding academic issues via official UM email accounts. Accordingly students must use their UMontana accounts. Email from non-UM accounts may be flagged as spam and deleted without further response.

Class Policy:

You should consider each class meeting a business meeting; this means (and I am very serious about this):

- All personal electronic devices should be turned off during class; this means do not be checking your cell phone during class. Put it away and leave it alone.
- If you leave class, please do not return during that class meeting; and
- Arrive on time and prepared for each class. Arriving late or departing early is disrespectful to me and your classmates.
- If you need to leave class early, let me know before class starts. Class attendance in this course is extremely important to succeed

Students with disabilities

"Students with disabilities may request reasonable modifications by contacting me. The University of Montana assures equal access to instruction through collaboration between students with disabilities, instructors, and Disability Services for Students (DSS).

"Reasonable" means the University permits no fundamental alterations of academic standards or retroactive modifications. For more information, please consult www.umt.edu/disability.

Classroom Philosophy:

My Role: My role will be to act as a facilitator. I will provide opportunity, structure and direction to facilitate your learning of fundamental concepts centered on the concepts of financial management.

Your Role: Your role is to engage in active learning. You will learn and apply important financial concepts while you gain experience. Your success in this class, as in life, will depend on both your effort and performance.

Miscellaneous: Students frequently regard this course and finance courses in general as some of the most difficult ones in the business curriculum. There are several tips that I can offer to not only help you pass this course but to learn something along the way. **First, come to class---** there is a very strong relationship between attendance and grades. **Second,** read the chapters and prepare answers to the assigned problems **before** coming to class. **Third,** it is impossible to make sure every individual understands each concept. If you are struggling with a concept, please come see me outside of class. Please, **do not wait** to see me until just before, or worse, just after an exam. At this point it is too late to do much if any good. Finally there are no dumb questions, so feel free to ask for clarification. I maintain an open door policy and am willing to meet with you nearly anytime that I do not already have a commitment.

The following course schedule is an outline that we will follow throughout the semester. It is subject to change and you should not assume that it is written in stone!

**BFIN 429 Intermediate Corporate Finance
Course Schedule - Spring 2016 (Very Subject to Change!!!)**

Week	Date	Day	Topic	Brigham and Daves		Online Quizzes	Spreadsheet Assignments
				11th Edition	Recommended textbook Problems	See Official Due Dates on Cengage	See Official Due Dates on Moodle
1	26-Jan-16	Tuesday	Introduction to Course start Chapter 2	Chapter 2			
	28-Jan-16	Thursday	Risk and Return	Chapter 2	Problems 1-14		
2	2-Feb-16	Tuesday	Bond Valuation	Chapter 4			
	4-Feb-16	Thursday		Chapter 4	Problems 1-23		
3	9-Feb-16	Tuesday	Financial Options	Chapter 5			
	11-Feb-16	Thursday		Chapter 5	Problems 1-7		
4	16-Feb-16	Tuesday	Accounting for Financial Management	Chapter 6			
	18-Feb-16	Thursday		Chapter 6	Problems 1-13		
5	23-Feb-16	Tuesday	Review Chapter 2,4,5 and 6				
	25-Feb-16	Thursday	EXAM 1 Chapter 2,4,5 and 6				
6	1-Mar-16	Tuesday	Analysis of Financial Statements	Chapter 7			
	3-Mar-16	Thursday		Chapter 7	Problems 1-12		
7	8-Mar-16	Tuesday	Basic Stock Valuation	Chapter 8			
	10-Mar-16	Thursday		Chapter 8	Problems 1-21		
8	15-Mar-16	Tuesday	Corporate Valuation and Financial Planning	Chapter 9			
	17-Mar-16	Thursday		Chapter 9	Problems 1-9		
9	22-Mar-16	Tuesday	Determining the Cost of Capital	Chapter 11			
	24-Mar-16	Thursday		Chapter 11	Problems 1-17		
10	29-Mar-16	Tuesday	Review Chapter 7,8,9 and 11				
	31-Mar-16	Thursday	EXAM 2 Chapter 7,8,9 and 11				
11	5-Apr-16	Tuesday	Spring Break				
	7-Apr-16	Thursday	Spring Break				
12	12-Apr-16	Tuesday	Capital Budgeting Decision Criteria	Chapter 12			
	14-Apr-16	Thursday		Chapter 12	Problems 1-12		
13	19-Apr-16	Tuesday	Capital Budgeting: Estimating Cash Flows	Chapter 13			
	21-Apr-16	Thursday		Chapter 13	Problems 1-9		
14	26-Apr-16	Tuesday	Real Options	Chapter 14			
	28-Apr-16	Thursday		Chapter 14	Problems 1-8		
15	3-May-16	Tuesday	Review				
	5-May-16	Thursday	Review				
16		Finals Week	TBA	Chapters 12,13 and 14			
			TBA				