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9-2003

MBA 681.01: Financial Management

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Recommended Citation

Crawford, Tony, "MBA 681.01: Financial Management" (2003). *Syllabi*. 3528.

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The University of Montana
School of Business Administration
Department of Accounting and Finance

Course: MBA 681: Financial Management

Semester: Fall 2003
Section: 01: T&R 8:10-9:30 PM GBB 123
Section: 60: R 6:10 -9:00 PM GBB 104
Professor: Tony Crawford

Office: 304 GBB
Office Phone: 243-2557
Office Hrs: Tues 1:00-3:00
Weds 11:00-1:00

Text Book:

Hawawini and Viallet, Finance for Executives, 2nd Edition, South Western 2002.
(Required)

Course Objective:

This is the only finance course in the core of the MBA program. Finance is a very broad topic. A full introduction to finance would require introductions to investing, banking, risk management, and corporate financial management. This course will concentrate on corporate financial management. Fortunately there are three fundamental pillars of Finance that extend to all sub fields of Finance. The first pillar is the time value of money, the second is asset valuation and the third is risk management. It is expected that you will have a foundation in basic time value of money techniques and a basic understanding of introductory valuation techniques (NPV, Dividend Discount Model, Bond Valuation) and we will review and expand on each of these topics this semester. Many of the tools we develop, and the analysis we use, is general enough to extend to other areas of finance.

This course focuses heavily on finance as a strategic business tool. In this course we will be studying how to value strategic business decisions, in particular what is the value of a firm's operating strategies, investment decisions and financing decisions?

This course focuses on corporate finance and many of the examples we use are larger corporations, however, the tools and principals we use in this course are equally applicable to small business. In particular the proper financial planning, investing and risk management are crucial to the success of firm's of all sizes.

This is a 10 week course so much of the review that would be contained in a 15 week course is removed. As mentioned above I expect that you are familiar with the basic financial tools that are part of your MBA foundation requirements. The text I have assigned provides a fairly nice review of these basic tools. We will also be using several cases as a vehicle for applying these basic tools. The cases will be covered in varying degrees of detail to be discussed later. When covering cases remember that proper quantitative analysis is essential for successful financial decision making, however, equally important is knowing how to make decisions based on that analysis. Since you are working towards a degree in general management I have stripped much of the analysis from this course (Don't smile too big there is still plenty to go around), instead as general managers I expect you to be able to make strategic decisions based on the provided analysis. It is these decisions that I will grade you most heavily on!

Course Homework, Quizzes, and Exams:

Cases	20%
Mid Term	25%
Final Case Project	35%
Class Participation	<u>20%</u>
	100%

Cases:

We will use several cases through-out the course. You will be assigned to case groups and I will assign discussion questions to each group. Typically we will cover a case in two parts. The first part will be a basic discussion of the problem at hand in which we will introduce the company, the protagonists and the problem. This portion of the case will be handled largely through class discussion I will not collect anything from this part, however, I may informally assign questions to groups and ask these groups to lead these discussions. For the second portion of the case, (usually covered in the next class period), each group will submit a written response to the questions assigned and also lead the discussion for those questions in class. The questions will consist of numerical analysis and/or qualitative discussions.

Mid Term:

There will be a traditional mid term which will test you on the basic financial tools discussed. The mid term will tentatively cover chapters 1 through 8 and will be discussed in more detail as the date approaches. Students should be able to answer end of chapter questions and problems. The exam will be objective and may contain traditional problems, short answer questions, and even multiple choice questions.

Class Participation:

I have assigned class participation a large weight in your class score. Each of you brings a unique perspective to this course. Some of you have extensive Finance experience others next to none. This diversity adds a richness of the class coverage. Some of the discussion will be directed but I also look for participation throughout the course. Please feel free to interrupt me at any time if you have a relevant example or question to ask. I especially welcome the questions from those with a limited Finance background because you frequently bring a unique perspective. By not participating in class you are really cheating yourself and your classmates who may benefit from different perspectives.

Part of your class participation grade will be generated from your group evaluations. For those who have taken Jeff Shay's Entrepreneurship course the evaluation will look familiar.

Final Project:

The final project in this course will be a group case project. You will have two alternatives. For those of you in Entrepreneurship you can perform an expanded financial analysis and valuation of your proposed business. The reason for this option is that there have been some grumbings that the financials constructed for business proposals in the past have been weak. Now you have the opportunity to improve your financials and for lack of a better term – “kill two birds with one stone.” If you choose this option you must answer a series of questions that will be distributed on my web-site shortly.

For those wishing a more traditional route I will provide an opportunity to evaluate a comprehensive text book case. As part of the final project you will turn in several periodic updates and a final report. The schedule for these is detailed in a hand-out and on the web page.

Collected Assignments:

All answers must be typed!!! Handwritten responses will not be accepted. Answers must be well organized. I reserve the right to reject any assignments that are disorganized or sloppy. Staple or bind loose pages (Do not fold or tear corners).

Assignments are due in class. Any assignment not turned into me in the appropriate class period will be penalized 20% and 10% for each additional day it is late assignments more than 2 days late will not be accepted!! For off-sight locations assignments will be collected together and mailed to me.

Course Outline
(Tentative – Subject to Change)

- Week 1: Basic Concepts and Review
Hawawini: Chapter 1 and 2
- Week 2: Cash Flow and Liquidity
Hawawini: Chapter 3
- Week 3: Financial Analysis
Hawawini: Chapter 4 and 5
Final Project Assignment I
- Week 4: Capital Budgeting Techniques
Hawawini: Chapter 6 and 7
Final Project Assignment II
- Week 5: Cash Flows in Capital Budgeting
Hawawini: Chapter 8
Case I:
- Week 6: Mid Term and Catch Up
- Week 7: Cost of Capital
Hawawini: Chapter 10
Case II:
- Week 8: Valuing a Business
Hawawini: Chapter 12
Final Project Assignment III
- Week 9: Making Value Creating Decisions in International Market
Hawawini: Chapter 12
- Week 10: Managing for Value Creation
Chapter 13
Final Project