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Fall 9-2015

### **BFIN 439.01: Financial Management II - Analysis / Problems**

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### **School of Business Administration Mission Statement and Assurance of Learning**

The University of Montana's School of Business Administration enhances lives and benefits society by providing a 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.

As part of our assessment process and assurance-of-learning standards, the School of Business Administration has adopted the following learning goals for our undergraduate students:

- Learning Goal 1: SoBA graduates will possess fundamental business knowledge.
- Learning Goal 2: SoBA graduates will be able to integrate business knowledge.
- Learning Goal 3: SoBA graduates will be effective communicators.
- Learning Goal 4: SoBA graduates will possess problem solving skills.
- Learning Goal 5: SoBA graduates will have an ethical awareness.
- Learning Goal 6: SoBA graduates will be proficient users of technology.
- Learning Goal 7: SoBA graduates will understand the global business environment in which they operate.

### **Course Objective and Learning Goals:**

This course is one part of a two part senior level course in Financial Management. The course examines both the theory and application of corporate financial management decisions. This half of the two part series examines strategic finance decisions, such as the firm's capital structure decision, and the decision to raise funding. The course concludes with an examination of working capital management and a brief examination of corporate risk management.

The course will utilize several cases and some spreadsheet modeling. Students will be required to develop spreadsheet models and use these spreadsheet models in analyzing cases and homework assignments.

In Finance we concentrate a great deal on the quantitative analysis surrounding business decisions; however the true value of finance comes from how you use this analysis. Lectures and readings emphasize financial theory and problem solving, but even more important is the interpretation, conclusions and recommendations that come from your analysis. By becoming more proficient in analyzing data you will be able to spend more time developing conclusions and recommendations.

### **Course Learning Goals**

- ✓ After this course, students will be able to apply basic finance valuation tools to valuing a company.
- ✓ After this course, students will be able to apply basic finance tools to the evaluation of a firm's capital structure and dividend decisions.

- ✓ After this course, students will be able to describe how firms issue equity, and when it is appropriate for a firm to refinance its debt.
- ✓ After this course students will be able to apply basic financial tools in evaluating whether it is better for a firm to lease or buy an asset.
- ✓ After the course students will understand the roll of hybrid securities, and be able to compute the impact of hybrid securities on a firm's cost of capital.
- ✓ After this course, students will understand how a firm's working capital management impacts firm value, and will be able to evaluate a firm's working capital policies and make recommendations for improvement to working capital management.
- ✓ After this course, students will be able to apply basic valuation tools in evaluating a simple merger opportunity, and will be able to assess the potential impact an acquisition would have on firm value.

**Course Homework, Quizzes, and Exams:**

Exams (1 -3)	3	55%
Spreadsheets	5	15%
Case Memos	3	20%
Homework Cengage NOW (drop lowest)	11	<u>10%</u>
Total		100%

\*\* Participation is a real part of your grade, come ready to participate and answer questions!

Scores in Percent	
A ≥ 93	73 ≤ C < 76
90 ≤ A- < 92	70 ≤ C- < 72
87 ≤ B+ < 89	67 ≤ D+ < 69
83 ≤ B < 86	63 ≤ D < 66
80 ≤ B- < 82	60 ≤ D- < 62
77 ≤ C+ < 79	F < 60

**Exams**

Exam format may consist of multiple choice, short-answer questions and problems, or any combination of these. I am leaning towards using predominantly multiple-choice questions, but I will provide you with more information prior to each exam. Exam questions will come from homework, lecture and case discussions. You should be able to complete all assigned homework, and understand lecture examples for exams.

**General Homework:**

You should be able to answer all the end-of chapter questions and problems (unless otherwise instructed). These are questions and problems that I think you should be able to complete for test purposes. Some may be covered in lectures while others will not. Problems will not be collected but answers will be posted on blackboard.

**Cases:**

Cases will be group assignments- (case group assignments will be made early in the semester). We will complete 3 formal case studies during the semester. For each case you will submit a memo-form write-up responding to specific questions that I provide.

One of the most important skills you can gain is the ability to write accurate and well-organized reports or responses. In business sloppiness will not be tolerated. **I will deduct up to 25% for disorganized and sloppy responses.**

### **Rules for Submitting Cases:**

- The original copy of your case solution is due at the **beginning of class (in class – not under my office door)** the day the case is assigned. Late papers, if accepted, will be penalized a minimum of 20%. Any cases not submitted will receive a zero grade. Since we will be discussing the cases in class you may want an additional copy to reference during class.
  - **Anything not submitted as described above and without previous instructor approval will be penalized a minimum of 20%**
- I will provide a template and an organizational format that you must follow. Details will be provided in class and on Moodle.
- Again responses should be well organized. A memo format may prove helpful. **Always list the question being answered followed by your response.**
- If you are including tables or other spreadsheet output in your response copy and paste the information in the body of your write-up. **DO NOT** simply **paste a spreadsheet** after or before your write-up. Spreadsheets contain more information than is necessary for outside readers. Choose the relevant information and present it logically and concisely in a abbreviated table.
- Also, **DO NOT** simply reference pages of output at the end of your write-up. You may attach your output to the end of your write up if you want me to have the information for partial credit when your analysis is inaccurate, **but I will not search** through your spreadsheets for answers or numbers
- **Case Grading:** I will be using the same grading rubrick used in BFIN 429. This will be posted on Moodle and discussed in class.

Writing	40%
Analysis (Numbers)	40%
Recommendation	20%

### **Spreadsheet Assignments**

There are five spreadsheet problems scheduled. Students will submit the completed Excel template via Moodle. No additional write-up is necessary (There may be minor write-ups within the Excel workbook). Excel Templates will be submitted via Moodle and you must follow the instructions for submitting these assignments. More Instructions will be provided in class.

### **Participation, Attendance and Lectures:**

I will use detailed PowerPoint presentations to support my lectures. You can (and should) print off the class handouts before class. PDF versions of the PowerPoint presentations will be posted in advance of class and I expect all students to work from these.

As mentioned above much of the responsibility for a successful class depends on you. I expect students to be actively involved in the lecture by asking questions, and answering questions. I will from time to time randomly call on students to answer questions from cases, readings etc. (Be prepared!!!)

I will take attendance initially and then may require a seating chart so that I can expedite learning your names. Participation clearly requires attendance, but attendance is not sufficient to earn a good participation grade.

**Moodle:**

I will maintain a Moodle site for posting notes, case supplements, homework solutions, grade information and other course communications

**Curves:**

I do not write exams with the intent of curving. I believe that exams are straight forward representations of the material covered. However, I am a realist and from time to time I will need to curve scores. My belief is that curves should be used when I write an exam that is too hard. Curves are not used to lift your grades when you do not adequately prepare. When I do use a curve I will follow the following rule(s):

1. If I do offer a curve on an exam it will not be automatic! If you score below 65% on an exam (before the curve) you must see me in office hours or by appointment so that we can discuss why you struggled on an exam, and what you can do to improve your next score. You will not receive a curve until you meet this requirement. Furthermore, this must be done before the subsequent exam. Failure to meet this criterion will result in lose of curve for you.
2. **Students who have more than 3 unexcused absences or missing assignments, will not receive any curve for the course,**

**Tentative Schedule!!!!!!!!**

	<b>Wk 1</b>	<b>Topic</b>	<b>Reading</b>	<b>Due</b>
T	1-Sep-15	Introductions		
R	3-Sep-15	Lecture 1: WACC Review	Chapter 11 secs. 1-8	
	<b>Wk 2</b>			
T	8-Sep-15	Lecture 2: Managerial Balance Sheet, LOOP and Multiples		
R	10-Sep-15	Lecture 3: Forecasting		<b>CN 11</b>
	<b>Wk 3</b>			
T	15-Sep-15	Lecture 4: The Corporate Value Model, Managing for Value		
R	17-Sep-15	Lecture 5: Estimating the Optimal Capital Structure	Chapter 16	<b>Spreadsheet 1</b>
	<b>Wk 4</b>			
T	22-Sep-15	Lecture 6: Leverage MMI, MMII	Chapter 17 secs. 1-2	<b>CN 9</b>
R	24-Sep-15	Lecture 7: Miller (Personal Taxes), Bankruptcy and Signaling		
	<b>Wk 5</b>			
T	29-Sep-15	Case Discussion and Exam review		<b>Case 1: Aspeon Water CN 16, CN 17</b>
R	1-Oct-15	<b>Exam 1 (Chapters,11,9,16,17)</b>		
	<b>Wk 6</b>			
T	6-Oct-15	Lecture 8: Dividend Policy	Chapter 15	
R	8-Oct-15	Lecture 9: Residual Dividend Policy		<b>CN 15</b>
	<b>Wk 7</b>			
T	13-Oct-15	Lecture 10: Investment Banking, IPOs and Venture Capital	Chapter 18	<b>Spreadsheet 2</b>
R	15-Oct-15	Lecture 11: IPOs		
	<b>Wk 8</b>			
T	20-Oct-15	Lecture 12: Rights Offers and Bond Refundings	see Moodle	<b>CN 18</b>
R	22-Oct-15	Lecture 13: Leasing	Chapter 19	

	<b>Wk 9</b>	<b>Topic</b>	<b>Reading</b>	<b>Due</b>
T	27-Oct-15	Lecture: 14: Hybrid Securities	Chapter 20	<b>CN 19</b>
R	29-Oct-15	Catch-up/ Problems		<b>CN 20</b>
	<b>Wk 10</b>			
T	3-Nov-15	Case Discussion and Exam Review		<b>Case 2: Environmental Sciences</b>
R	5-Nov-15	Exam II Chapters (15, 18-20)		
	<b>Wk 11</b>			
T	10-Nov-15	Lecture 15: The Cash Cycle	Chapter 21	
R	12-Nov-15	Lecture 16: Cash Budget		
	<b>Wk 12</b>			
T	17-Nov-15	Lecture 17: Mergers and Acquisitions	Chapter 26	<b>CN 21</b>
R	19-Nov-15	Case Discussion Catch Up		<b>Case 3: Alpine Wear</b>
	<b>Wk 13</b>			
T	24-Nov-15	Office Hours		
R	26-Nov-15	No Class Thanksgiving		
	<b>Wk 14</b>			
T	1-Dec-15	Lecture 18: M&A Continued		<b>CN 26</b>
		<b>Fine Print</b>		
		<b>Academic integrity</b>		
R	3-Dec-15	Lecture 19: Multinational Finance	Chapter 27	<b>Spreadsheet 4</b>
		Integrity and honesty are hallmarks of the accounting profession. It is your duty to abide by the University's academic policies, and it is the instructor's duty to enforce those policies. Cheating of any sort will not be tolerated. Cheating, failure to follow instructions, and/or failure to follow course policies may result in a reduced grade or a failing grade at the instructor's option.		
	<b>Wk 15</b>			
T	8-Dec-15	Lecture 20 Multinational Cont. A message about academic integrity, from the Provost's office:		
R	10-Dec-15	Catch Up/Review		<b>Spreadsheet 5, CN 27</b>
	<b>Finals</b>			
M	14-Dec-15	BFIN 439 Sec 1 10:10-12:10		
T	15-Dec-15	BFIN 439 Sec 2 10:10-12:10		



All students must practice academic honesty. Academic misconduct is subject to an academic penalty by the course instructor and/or a disciplinary sanction by the University. All students need to be familiar with the Student Conduct Code. The Code is available for review online at:

<http://www.umt.edu/vpsa/policies/Student%20Conduct%20Code%20PDF%202013.pdf>

### **Calculator policy**

The faculty of the Department of Accounting and Finance has approved two calculators for use in all accounting and finance courses. The specific models are the **Texas Instruments BA II+** and the **Hewlett-Packard 10BII**. Only these two calculators will be allowed during exams.

### **Professional Courtesy**

While we often stress the importance of multi-tasking in the work place, in the class room it's best to have your full attention focused on the task at hand. Cell phones are to be turned off when entering the class room. No texting during class. If I see your cell phone out, I will ask you to leave class and you will be marked absent for that day.

***If you leave the class, please do not come back during the class and finally arrive on time and be prepared for class. Arriving late or departing early is disrespectful to your instructors and your classmates.***

### **Disability accommodations**

If you have a documented disability for which you are requesting accommodations please see the instructor during the first week of class.

### **Email**

As of 1 July 2007, faculty may only communicate with students regarding academic issues via official UM email accounts. Accordingly, students must use their GrizMail accounts (netid@grizmail.umt.edu or fname.lname@umontana.edu). Email from non-UM accounts may be flagged as spam and deleted without further response. Due to security issues, confidential information (including grades and course performance) will not be discussed via email.

### **Grievance policy**

Although conflicts between students and professors are rare, they do occasionally occur. Please be aware that the standard operating procedure for dealing with such conflicts within the School of Business Administration is as follows:

1. Try to resolve the conflict with the instructor.
2. If you feel that the conflict cannot be resolved between yourself and the instructor, contact the department head.
3. If, after speaking with the department head and the instructor, you still feel that the conflict has not been resolved, contact the dean of the School of Business Administration.

### **Incomplete policy**

University policies regarding incompletes will be followed. In particular, the policy on incompletes is as follows:

The incomplete is not an option to be exercised at the discretion of students. In all cases it is given at the discretion of the instructor within the following guidelines . . . A mark of incomplete may be assigned students when:

1. They have been in attendance and doing passing work up to three weeks before the end of the semester, and
2. For reasons beyond their control and which are acceptable to the instructor, they have been unable to complete the requirements of the course on time. Negligence and indifference are not acceptable reasons.

### **Drop date**

Sept 21st (5PM)– last day to add the course without instructor approval; after this, instructor must approve

Sept 21st (5PM)– last day to drop the course without instructor approval or change to “audit” option

Nov. 2nd (5PM)– last day to drop the course without a petition; here is the UM catalog language: “Documented justification is required for dropping courses by petition. Some examples of documented circumstances that may merit approval are: accident or illness, family emergency, or other circumstances beyond the student's control.”

### **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.

### **Final Note:**

All dates in this syllabus are tentative and subject to change. Any changes will be announced in class. I also reserve the right to alter coverage, assignment weights, exam weights etc., if I feel they are necessary for the course (although I have no expectations of this at this time). Any changes will be announced in class.