

University of San Diego
School of Business Administration

GSBA 505: Financial Management & Analysis

Fall 2008

Instructor: Dr. Shreesh Deshpande
Room: 220 Olin Hall
Phone: (619) 260-4863
Fax: (619) 260-4891
E-mail: deshpand@sandiego.edu

Office Hours: Tuesday & Thursday: 1:30 pm to 4 pm

SBA Mission Statement:

School of Business Administration Mission--"Committed to developing socially responsible leaders and improving global business practice through innovative, personalized education and applied research."

Course Description:

This course in corporate finance is a review of financial concepts and practice in the areas of investment and financial decision-making. The focus will be on time value of money, security valuation, capital budgeting, risk-return, the CAPM and shareholder wealth maximization. Additional topics include: cost of capital, option strategies and, mergers and acquisitions.

Course Objectives:

By completing this course successfully, students will be able to:

- understand the importance of Ethics in financial decision making
- understand the role, characteristics and effectiveness of Financial Markets
- apply the concepts of Time Value of Money to valuation
- learn how to price financial securities (stocks and bonds)
- understand and apply Capital Budgeting techniques (NPV and IRR)
- understand the financial risk/return relationship (CAPM)
- estimate the cost of capital for a publicly traded firm
- value an acquisition target using discounted free cash flows
- learn how derivative securities (options) work and are used

Course Materials:

(1) Principles of Corporate Finance – Concise Edition Brealey, Myers & Allen (2009), McGrawHill Irwin, 1st. edition.

(2) *Nike Inc. - Cost of Capital* (Case) UVA Darden School

(3) *Cooper Industries* (Case) Harvard Business School

Optional Supplement: *Excel Applications for Corporate Finance*: Troy Adair (2005) McGrawHill

Financial Calculators:

The use of a financial calculator is **required** in this course. You need to get the Hewlett-Packard **HP 10B II** financial calculator. Calculator adjustments: You need to adjust the calculator settings as follows: (i) set the calculator to calculate values to at least four decimal points; (ii) change the time of payments from the beginning (BEG) to the ending (END) of a time period; (iii) change the number of payments from 12 per year to one per year.

References:

For useful and timely financial information the following are recommended: Wall Street Journal, Barrons, Euromoney. Some popular sources of quantitative financial data are Value Line, Standard & Poor's, and Moody's. You should bookmark the following websites: **www.nasdaq.com**, **www.sec.gov**, **www.mhhe.com/edumarketinsight** . You will need to access some of these websites while working on class assignments.

Grading Policy:

Class Participation	= 10%
Assignments	= 30%
Mid-Term	= 30%
Final exam	= 30%
	100%

The assignment questions and case analysis reports will require the use of (Excel) and are due on specified dates that will be announced in class. **Late submissions will not be accepted.** Solutions to problems are on E-Reserves in the library, and require passwords that will be announced after the assignments are submitted.

The exams will be a combination of numerical problems and essay-type questions. If you miss the mid-term exam, a make-up exam will be given only if you seek my approval before the mid-term. A single make-up will be scheduled during the last week of class.

Ethical and professional behavior is expected in this course. Acts of academic dishonesty are taken seriously and you are encouraged to review the University's academic integrity policies. Acts of academic dishonesty include: a) unauthorized assistance on an examination; b) falsification or invention of data; c) unauthorized collaboration on an academic exercise d) plagiarism.

Final Exam:

Tuesday, December 16: 9am – 11am

Guidelines for Assignments:

1. Email all assignments (Word or Excel files only, no .pdf files).
2. Do not repeat the questions, only provide the answers.
3. Avoid abbreviations such as @, b/c ...
4. Provide enough detail in your answers so that I can follow your calculations (this is important for receiving partial credit in case the answer is wrong).
5. For all assignments in Excel, make sure that I do not have to scroll horizontally to read the answers. Also, answers to all questions should be on SHEET 1 of the Excel file.
6. For Emailed assignments the ‘Subject’ field should have the course number GSBA 505 and the assignment chapter number.
7. Put your name, the course number and my name on each assignment.
8. There will be a 10% penalty if any of the above guidelines are not followed.

Instructions on how to access course assignment solutions (require passwords) and powerpoint slides (non-passworded) for specific topics:

From the USD WEB Page:

- Click on ACADEMICS
- Click on Libraries
- Click on E-Reserves see list at left side of webpage
- Click on Electronic Reserves & Reserves Pages
- Click on “Course Reserves Pages by Instructor”
- Select instructor (Deshpande) from pop-down menu, and hit View
- Click on GSBA 505
- Enter **Course** password: ftmba then hit Accept
- Click on Chapter 2 solutions (for example)
- Enter the **Assignment** password: (to be announced later) then hit Accept
- The solutions to problems from the chapter can now be printed.

I will announce the assignment password to access solutions **after** you hand in the assignment. You do not need an additional password to access the *Powerpoint* slides and *handouts*.

Class	Topics	Learning Objectives	Assignments (Only “PQ” and Cases to be handed in. Due dates will be announced in class)
Class 1 Tuesday, Oct 21	Finance and the Financial Manager. Present values, the Objectives of the Firm and Corporate Governance Chapter 1 & 2	To understand the role of a Financial Manager. Also, to examine the different ways of organizing businesses. To learn the role of Ethics in Financial Decision-making	Ch 1: Quiz: 2, 3, 4, 5, 6, 7 Ch 2: Quiz: 2, 3, 4, 5, 7, 8 PQ: 9, 10, 11, 12, 13, 16, 19 Read: <i>Instilling a Corporate Culture of Integrity, Ethics & Compliance – Harvey Pitt (Compliance Week, August 2006)</i>
Class 2 Thursday, Oct 23	How to calculate Present Values Chapter 3	To learn the techniques of valuation (time value of money).	Ch 3: Quiz: 3, 4, 5, 6, 7, 8, 9, 11 PQ: 14, 15, 17, 18, 19, 20, 21, 22 26, 29, 30, 31, 32, 35
Class 3 Tuesday, Oct 28	Overview of Corporate Financing Valuing Bonds Chapter 4	To discuss the characteristics of the different sources of external capital and to learn how publicly traded financial securities are priced.	Ch 4: Quiz: 1, 2, 3, 4, 8, 9 PQ: 12, 14, 17, 20, 22
Class 4 Thursday, Oct 30	The value of Common Stocks Chapter 5 (Skip pp. 102-106)	To learn how publicly traded financial securities are priced.	
Class 5 Tuesday, Nov 4 continued Chapter 5		Ch 5: Quiz: 1, 2, 3, 4, 5, 9 PQ: 14, 16, 17, 19, 29, 30
Class 6 Thursday, Nov 6	Why NPV leads to better investment decisions (Skip pp.133 – 134) Chapter 6	To learn the advantages and disadvantages of the different methods of evaluating new investment opportunities.	Ch 6: Quiz: 1, 3, 4, 5, 6, 7 PQ: 8, 9, 10, 11, 12, 15
Class 7 Tuesday, Nov 11	Making investment decisions with the NPV (Skip Section 7.3 pp. 155 – 160) Chapter 7	To learn how Project cash flows are estimated and to analyze a detailed example of using NPV and IRR methods.	Ch 7: Quiz: 1, 2, 4, 5 PQ: 10, 11, 12, 13, 14, 16, 17(a)
Class 8 Thursday, Nov 13	Introduction to Risk and Return Chapter 8	To understand the evolution, structure and use of a financial risk-return model (CAPM).	Ch 8: Quiz: 1, 2, 3, 4, 5, 7, 8, 9 PQ: 10, 11, 12, 14, 15, 18, 20, 21, 22
Class	Topics	Learning Objectives	Assignments (Only PQ and Cases to be handed in. Due dates will be announced in class)
Class 9 Tuesday, Nov 18	MID-TERM exam		
Class 10 Thursday, Nov 20	Risk and Return (Skip Section 9.4 pp. 222 -227) Chapter 9 Efficient Markets Hypothesis Chapter 12 (Read pp. 307 – 320) continued To understand the implication of the EMH for security pricing and capital markets	Ch 9: Quiz: 2, 3, 4, 5, 6 PQ: 8, 10, 11, 13, 14, 15, 16
Class 11 Tuesday, Nov 25	Capital Budgeting and Risk (Skip Section 10.3 and 10.4 pp. 246-255)	To learn how to estimate the cost of capital for a publicly traded firm.	Ch 10: Quiz: 1, 3, 6 PQ: 9, 10, 11, 12(a,b), 13 <i>Nike Inc. (UVa Darden Case)</i>

	Chapter 10		
Class 12 Tuesday, Dec 2	Financing and Valuation (<i>Skip pp. 441-445 and pp.448</i>) <i>Read pp. 102-106.</i> Chapter 16 Mergers & Acquisitions	To learn how to financially value an acquisition target using free cash flows	Ch 16: Quiz: 1, 2, 7 <i>Cooper Industries (HBS Case)</i>
Class 13 Tuesday, Dec 9	Understanding Options Chapter 17	To understand what Call and Put options are and to examine some common investment and risk management strategies.	Assignment questions will be handed out in class