

PEPPERDINE UNIVERSITY
THE GEORGE L. GRAZIADIO
SCHOOL OF BUSINESS AND MANAGEMENT

SYLLABUS

MBAM 614.13

FINANCE

Spring 2008

WEDNESDAY, 8:00 A.M. – 12:00 P.M.

MALIBU

Maretno Agus Harjoto (Augus)

FINANCE
MBAM 614.13
SPRING 2008

Wednesday, 8:00 a.m. – 12:00 p.m.
Malibu Campus

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Introduction

Welcome to our finance course. Understanding finance is important whether you hold a financial position in a firm or not. You make financial decisions everyday and the theories/practices/techniques you learn in this class can be applied to your personal decisions.

To be successful in this class, you must keep up and you must work problems. Start with reading the assigned chapters and exercise on assigned problems on your own **before** class. The quizzes are structured to give you the first test to indicate how much you have learned from your assigned readings, exercises and class lectures. You are expected to demonstrate your understanding of the topics orally and in written through you group cases, presentations, class project and class discussions. Exams are designed to evaluate your comprehensive understanding in all above exercises and assignments.

You will be required to use Blackboard. Materials will be placed there and papers submitted there. If you are not familiar with Blackboard, please look at it prior to class. In addition, I strongly recommend that you bring a laptop and a financial calculator to class. I will expect you to use Excel and financial calculator when you work on some problems. If you are not familiar with the basics of Excel, please review them before class begins.

Course Description

This course introduces the student to the major issues in finance as a corporate financial manager. The complexities of financial valuation and decision making are explored by examining the primary areas of concern to the financial manager: the investment or capital budgeting decision, the financial strategy or capital structure question, and risk and return issues. Specific topics will include time value of money, valuation of financial instrument, capital budgeting, risk assessment, an introduction to capital markets, the assessment and pricing of risk, capital structure issues, dividend policy, and multinational financial management. **This class also emphasizes the importance of corporate governance, ethical decisions, and creating value for all stakeholders.**

Course Objectives

The objective of this course is to introduce students to the theory and practice of financial decision-making. At the conclusion of the course, students should be able to demonstrate managerial level decision making in the following areas:

1. Applications of compounding & discounting in finance
2. Identification and measurement of risk factors.
3. Valuation of stocks, bonds, and the firm.
4. Assessment of debt versus equity financing.
5. Evaluation of investment opportunities.
6. Oral communication skills through class participation and case presentations.
7. Written communication skills through written reports of case studies.
8. Ability to work efficiently and effectively within groups.

Texts and Course Materials

Financial Management: Theory and Practice, by Brigham and Ehrhardt, 12th edition.

Publisher: South-Western College Pub; 12th edition (March 20, 2007)

ISBN-10: 0324422695

ISBN-13: 978-0324422696

Grading

The grade distribution and weighting method are as follows:

<u>Grade distribution</u>	<u>Assignment weights</u>
A = 94% - 100%	Midterm exam 25%.
A - = 91% - 93%	Final exam 25%.
B+ = 88% - 90%	Quizzes 20%.
B = 84% - 87%	Group Case assignment 15%
B - = 81% - 83%	<u>Firm Valuation 15%</u>
C+ = 78% - 80%	Total: <u>100 %</u>
C = 74% - 77%	
C - = 70% - 73%	
F = Below 70%	

NOTE:

I reserve the right to curve final grades in order to approximate a normal distribution.

Grades (GPA) for finance classes average between 3.2 and 3.4. I will announce the class mean and median after Midterm exam and before Final exam.

Quizzes

During the second half of each class session, a quiz problem covering the material of the assigned readings and lectures for that day will be conducted. Each quiz is worth 10 points. If you miss a quiz, you must meet with the professor to receive an alternative problem or makeup quiz within 48 hours after the quiz is given or you will receive zero points on your quiz score. Makeup quiz problems are always harder than in class quiz problems.

Case Assignment

The case project is a group assignment. There are 5 (five) in the class. I will assign your group members and assigned cases for each group by the end of the first class period. Each group is responsible to make reports and to present (2) two cases in the semester. Case assignment grade is based on 40% reports, 40% presentation and 20% your group members/peer evaluation.

The cases are adapted from Mini Case at the end of each chapter from your textbook. The case will be due at the beginning of each class session according to topic schedules. Hardcopies are required. The case is to be a maximum of five, doubled-spaced pages, 12 font (or 10 pages power point slides) type plus appendices, calculations and exhibits. The case will be graded as to rationality of the assumptions made, sophistication of the analysis, clarity of presentation, and support of your conclusions. Each group is also responsible to present their assigned cases in front of the classroom and stimulate class discussion. Since our class schedule is tight, no late cases will be accepted. Note: grammatical errors, poor sentence structure, and misspelled words will greatly reduce your grade.

Exams

There will be one mid-term and one final exam given during the course. Due to the nature of the material we are studying, concepts introduced early in the course will be an integral part of topics covered later in the course. Therefore, the final exam will be comprehensive to some degree. While this exam will be more heavily weighted with material found in chapters covered during the last half of the course, it may also cover concepts taught earlier in the course. You will be expected to be able to integrate all the material covered during the term. For both examinations, you may bring one sheet of 8 1/2" x 11" paper on which you may write appropriate formulae or other notes for the exam (no numerical examples please). This must be handwritten and turned in with your exam..

Firm Valuation

During your Financial Accounting course, you selected a public company for analysis. Using the same company, you will use the tools learned in this class to **value** the company. This will require that you forecast expected cash flows generated by the company over the shorter of 10 years or the life of the firm, calculate the appropriate risk-adjusted discount rate, and use discounted cash flow techniques to value the firm. This is an individual project that each student must turn in.

Attendance Policy

Class attendance is expected. If a class must be missed, the student is expected to notify the professor prior to the class. If quiz/exam was given that day, the student must arrange for a make-up exercise immediately.

Class Notes

Power point slides of the class lecture outlines will be available on Blackboard at least five days prior to the class. Class lectures are not available in electronic or hardcopy.

Therefore, you are responsible to take notes from class lectures on a hardcopy or the electronic form on your own or borrow from your classmates if you miss a class.

Suggested Problems

Learning by doing is the best way to understand Finance. I suggest you work the following problems in each chapter in your group. The answers are in Appendix B (you may want to start with the Self-Test Problems which are solved in Appendix A). They will not be handed in or graded, and we will not go over them in class. But, they will help you successfully complete the cases, quizzes and exams. It is suggested that you use the “discussion” area of Blackboard to gain help from other students. **Please see Tentative Schedule of Classes, Assigned Problems, and Assigned Mini Cases for your assigned problems in each chapter.**

Conduct

“The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- *Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.*
- *Forgery, alteration, or misuse of University documents, records, or identification.*
- *Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.*
- *Interference with the academic or administrative process of the University or any of the approved activities.*
- *Otherwise unprotected behavior that disrupts the classroom environment.*
- *Theft or damage to property.*
- *Violation of civil or criminal codes of local, state, or federal governments.*
- *Unauthorized use of or entry into University facilities.*
- *Violation of any stated policies or regulations governing student relationships to the University.*

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

Dismissal – separation of the student from the University on a permanent basis.

Suspension – separation of the student from the University for a specified length of time.

Probation – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.” GSBM Catalog, pgs. 202-203.

Policy on Disabilities

Assistance for Students with Disabilities

“Students with disabilities, whether mental or physical, are encouraged to contact the Equal Opportunity Office before the academic year begins or soon after classes are in session. This office will assist each student by providing general information about campus facilities and available resources. The office will assist in providing reasonable accommodation to students with disabilities pursuant to applicable laws. Inquiries should be directed to the director of disabilities, Maire Mullins, (310) 506-6500. (Students who wish to file a formal grievance should refer to the “Nondiscrimination Policy,” which is listed in the “Legal Notices” section of this catalog.)” GSBM Catalog, pg. 35.

Tentative Schedule of Classes, Assigned Problems, and Assigned Mini Cases

<u>Date</u> (Chapters)	<u>Topic</u> (Assigned Problems)	<u>Assigned Readings</u> (Mini Cases)
01/09/08 (Chapter 1) (Chapter 15)	Intro to Finance & Corp. Governance (1-2, 1-3, 1-4, 1-8, 1-9, 1-10, 1-11, 1-12) (15-1, 15-3)	1, 15.5: pp. 538-547 (Mini Case Ch. 1)
01/16/08 (Chapter 3) (Chapter 4)	Financial Statement Analysis (3-2, 3-3, 3-7, 3-8, 3-11, 3-12) (4-1, 4-2, 4-3, 4-6, 4-9, 4-11, 4-13)	3, 4, 14 (Mini Case Ch. 4)
01/23/08 (Chapter 2)	Time Value of Money (2-1, 2-5, 2-7, 2-8, 2-10, 2-12, 2-16, 2-18, 2-25)	2 (Mini Case Ch. 2)
01/30/08 (Chapter 6) (Chapter 7)	Risk and Return (6-1, 6-3, 6-5, 6-10, 6-13 (use excel for 6-13)) (7-1, 7-2, 7-4, 7-6)	6, 7 (Mini Case Ch. 6)
02/06/08 (Chapter 19) (Chapter 21)	Long-term/Hybrid Financing (19-2, 19-5) (21-1, 21-4, 21-7)	19, 21 (Mini Case Ch. 21)

02/13/08	Bond and Stock Valuation	5, 8
(Chapter 5)	(5-1, 5-3, 5-7, 5-8, 5-11, 5-19, 5-22)	
(Chapter 8)	(8-1, 8-5, 8-7, 8-10, 8-12, 8-13, 8-16)	(Mini Case Ch. 8)
02/20/08	Mid Term Exam	1, 15.5, 3, 4, 14, 2, 6, 7, 19, 21
02/27/08	Capital Budgeting	11
(Chapter 11)	(11-8, 11-10, 11-14, 11-16, 11-20, 11-22)	(Mini Case Ch. 11)
03/05/08	Cost of Capital	10
(Chapter 10)	(10-1, 10-4, 10-10, 10-12, 10-15, 10-16)	(Mini Case Ch. 10)
03/12/08	Capital Structure	16, 17
(Chapter 16)	(16-2, 16-3, 16-7, 16-9, 16-11, 16-12)	(Mini Case Ch. 16)
(Chapter 17)	(17-1, 17-2, 17-3, 17-6, 17-7, 17-8)	
03/19/08	Dividends(Repurchases) & Working Cap	18, 22
(Chapter 18)	(18-2, 18-4, 18-6, 18-8, 18-10)	(Mini Case Ch. 18)
(Chapter 22)	(22-1, 22-6, 22-9, 22-14)	
03/26/08	Multinational Financial Management	26
(Chapter 26)	(26-3, 26-3, 26-5, 26-10, 26-14)	(Mini Case Ch. 26)
04/02/08	Financial Options & Real Options	9, 13
(Chapter 9)	(9-1, 9-3, 9-4, 9-6)	(Mini Case Ch. 9)
(Chapter 13)	(13-1, 13-5)	
04/09/08	Final Exam	Comprehensive