

**MBA 605 Financial Management
MBA Program
Bryan School of Business and Economics
University of North Carolina at Greensboro**

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Professor Tony Wingler

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Office Hours: 3-5 most days, appointment highly recommended as I will frequently be out of the office.

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Overview:

MBA 605 presents essential financial concepts supported with analytical tools. The concept of valuation is central to finance and this course provides the basis for understanding the implications and ramifications of varied business strategies and tactics on firm value. MBA 605 is the basis for subsequent required and elective courses in Finance. Specific objectives of this module are:

- **Provide understanding of the valuation of equity and debt claims, in particular the assessment of the risk characteristics of these types of securities;**
- **Provide understanding of how valuation principles guide a firm's investment decisions;**
- **Provide understanding of popular measures of management performance: market value added (MVA) and economic value added (EVA);**
- **Provide understanding of the analysis of financial statement information;**
- **Provide understanding of financial planning and forecasting to evaluate business strategies and anticipate financing requirements;**
- **Provide opportunities to further develop understanding of Excel through a wide range of financial applications.**

Required Material:

Corporate Finance: A Focused Approach by Michael Ehrhardt and Eugene Brigham, published by Thompson-South-Western publishing 2003. Available in the University Bookstore in Elliott Center.

Two cases: North Central Utilities and Swan-Davis, Inc. are in bound form and available in the University Bookstore in Elliott Center.

We make extensive use of Excel in this course, if you require access to the software it is available on the University's computer network.

If you're considering the purchase of a financial calculator, not required, suggest the H-P 10B as the best value for the money. Shop around, prices vary.

Format of the Module

The mini cases at the end of each chapter serve as the basis for our lectures/discussions. The mini cases cover the content of assigned chapter readings but in a format which is more engaging than a lecture. Reading the assigned text chapter before class and familiarity with the mini-cases will greatly improve understanding and motivate class discussions

- Reading the assigned text material and reviewing the designated mini case before class is essential preparation.
- My website provides three types of resources which we use: PowerPoint slides and Excel worksheets for the mini cases (Build A Model Case) serve as the basis for class activities. Additionally, the web site provides Excel Toolkits for each chapter which provides instruction in using the software that is expressly tailored to our study. Go to www.uncg.edu/bae/people/wingler and click on MBA 605 for materials. The Excel Toolkits enable students with limited experience with Excel to enhance their capabilities with spreadsheets and provide an excellent self-learning tool.
- The syllabus list two types of reading assignments: required (REQ) and recommended (REC) reading. Students' backgrounds vary and recommended readings provide an opportunity to address gaps in understanding. In a few instances, sections of chapters are designated as REC to present more in depth topic coverage than class time allows.

Grade Determination

Course performance will be evaluated on the basis of group case analyses (two) and a test covering Chapter 6 (partial), Chapter 7 and Chapter 8. The test will be taken out of class using the Blackboard system, more details later.

	Due Session	
North Central Utilities Case (group analysis)	5 th Session	25%
Test on Chapters 6(partial), 7 and 8	6 th Session	40%
Swan-Davis, Inc (group analysis)	8 th Session	25%
Group Members' Evaluation (see below)	8 th Session	10%
		100 %

Group Case Analyses

Group work is a time-honored component of profession education and for good reasons...professionals accomplish objectives through group efforts.

Students will organize themselves in case analysis groups consisting of a minimum of two and maximum of three students. Full-time MBA teams will remain in tact t for this course. Part-time MBA students are responsible for placing yourselfs in a group and once formed, the groups' composition will remain in tact for the term of the course.

Assigned group work is to be the sole responsibility of the group's members and is governed by the University's Honor Code:

<http://studentconduct.uncg.edu/policy/academicintegrity/>.

It is the student's responsibility to understand and uphold the University Honor Code on all work. The groups' case analyses should provide a statement of each member's fidelity to the Honor Code, affirmed with signatures (see appropriate form on site above). Failure to uphold the academic honor code is a serious offense and will be prosecuted to the fullest extent.

The assigned cases provide structure in that students are directed to answer specific questions presented at the end of the case. Cases analyses will be typed and should contain appropriate Excel exhibits/ analysis. **Save the clip-art for other courses.**

It is important to organize your thoughts/ analyses in a concise and effective manner in addressing case questions. Address the questions in a manner which minimizes fluff and off-topic diversions. This is graduate school, not middle school or high school, and copying from the text is not what the University expects of students at your level. The quality of written responses is as important as the specifics of your response. Write well and in a direct fashion but for the sake of the reader, make it interesting and reflective of your insights and personality.

Group members will be required to submit an evaluation of their fellow group member(s) and the evaluation will factor into the grade determination. Such methods of evaluation are **notorious** for their 'halo effect" :I have problems with my group member's efforts

and attitude in our work but fear being honest in the evaluation. Therefore, I'll rate my group member much higher than they deserve. This attitude serves no one, and especially students receiving unmerited evaluations. The evaluation is known only to the professor and is confidential. If you engage in the halo effect, you are not being responsible, and have no one to fault but yourself.

Class Attendance and Involvement:

Graduate students lead busy lives and consistently impressed me by the quality of work they produce given their time constraints. I will be understanding of course conflicts to the degree that I can, but be advised that class absences in a module structured as this one can quickly become a problem. As I will be understanding of your conflicts, I ask that you be understanding of my responsibility to maintain academic integrity. Two or more absences indicate that for whatever reasons the student is unable to devote the time necessary for graduate study. Students with two or more absences will receive a one-letter reduction in course grade **at a minimum**. Should you miss a class, please do yourself a big favor by not asking the all-time bad question: "Did I miss anything?". Such statements reveal more about attitudes and understanding of responsibilities than one cares to acknowledge.

Course Syllabus

Note: Different sections of this course meets weekly and bi-weekly. Topic are listed by weeks and for the bi-weekly class, assignments are due in the second meeting of the week.

Week One

Chapter 1 in E&B

REQ ---pp 9- top of page 26

REC---pp 1-8 and pp. 26- 46. We will use a link from my website, The Living Yield Curve, to examine general characteristics of the yield curve as an important measure of current and expected interest rate levels.

Chapter 2 in E&B -- Time Value of Money—REQ

Toolkit for Chapter 2---REQ

A solid grasp of the time value of money is central to the study of finance. We use Excel for most calculations and the data entry on the most popular financial calculators is highly similar to those in Excel. Work lots of end-of-chapter questions and problems as drill on this material. You can find short answers for selected problems at the end of the text.

Week Two

Valuing stock and bonds are important and interesting examples of the application of the time value of money. Our focus here will be on reinforcing basic concepts and providing important extensions to build a conceptual and analytical base for our study.

Chapter 3 in E&B---Risk and Return---REQ

Toolkit for Chapter 3 ---REQ

Chapter 4 in E&B---Bonds and Their Valuation ---REQ

Toolkit for Chapter 4---REQ

Week Three

Chapter 5 in E&B ---Stocks and Their Valuation ---REQ

Toolkit for Chapter 5 ---REQ

Chapter 6 in E&B ---Weighted Cost of Capital--- pp. 224-240---REQ. Limit your reading to these pages.

We will cover only questions A-I in the mini case for Chapter 6

Toolkit for Chapter 6, ignore the sections of the toolkit which pertains to the material which was not assigned in the chapter and covered in the mini case for the chapter.

Week Four

Chapter 7 in E&B---The Basics of Capital Budgeting: Evaluating Cash Flows--- pp. 259-274—REQ

pp. 274-286—REC—this material covers some refinements to the REQ material that for reasons of time constraints we are unable to cover in class. Review this material as your interest and time permits.

We will cover only questions A-G of the mini case for Chapter 7

Toolkit for Chapter 7---REQ but coverage for only the REQ reading section of the chapter.

Chapter 8 in E&B ---Cash Flow Estimation and Risk Analysis---REQ

Toolkit for Chapter 8---REQ

Optional Material on Risk Assessment

The assessment of an investment's risk is a crucial aspect in its valuation. In practice, risk assessment is frequently performed using Excel add-ins such as @Risk or Crystal Ball. You might find it interesting to enter the names @Risk and Crystal Ball in Google and view their websites. Time constraints do not permit coverage of simulation in this module but it is state-of-the-art analysis. You have an opportunity to get the flavor of financial risk analysis by exploring the optional Excel material below. Although this optional material is simple compared to @Risk or Crystal Ball capabilities, it nevertheless provides a very representative sense of how simulation can aid materially in risk assessment.

The Excel add-ins permit simulations to be performed on variables as a means of reflecting uncertainty. Uncertainty is reflected by performing the analysis many times where the values for key inputs are randomly drawn from probability distributions with specified characteristics. If you are interested to explore further, check out the materials below on the website.

1. Read the Word file "Explanation of Simulation" on the website
2. You will need to "add" the special simulation software titled Simtools.xla to your computer so your Excel can perform simulations, it is located on the website. The Explanation of the Simulation explains how to add the necessary software to your computer.
3. Chapter 8. Toolkit Simulation.xls provides the typical toolkit instruction on the use of the simulation software in this case.

Week Five

Assignments Due

Written case analysis of North Central Utilities case due 5th week. The case analysis should be typed and draws on the material covered in Chapters 3, 4, 5, with a hint of the coverage in Chapter 6. For classes meeting twice during Week 5, the assignment will be due in the second meeting of the week.

Chapter 9 in E&B---Financial Statements, Cash Flow, and Taxes----REQ

Toolkit.xls for Chapter 9---REQ

Chapter 10 in E&B---Analysis of Financial Statements---REQ

Toolkit.xls for Chapter 10---REQ

Week Six

Blackboard test on Chapter 6 (partial), Chapter 7 and Chapter 8. The test is available in Blackboard and is to be completed by the date given in class. In general, the test will be available for 5-6 days and you can take the test as your time schedule permits. The University Honor Code governs this assignment

Chapter 11 in E&B---Financial Planning and Forecasting Financial Statements---REQ

Toolkit.xls for Chapter 11---REQ

Chapter 12 in E&B---Corporate Valuation, Value-Based Management and Corporate Governance---REQ

Toolkit.xls for Chapter 12---REQ

Week Seven

Chapter 16 in E&B----Working Capital Management

Toolkit.xls for Chapter 16---REQ

Week Eight

Assignment

Course wrap-up

Swan-Davis Inc. case analysis due this session.

Submit Group Members Evaluation form.