

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

Fall 2005

Professor Tony Wingle

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Office Hours: 3-4 most M-Th, 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 MBA 605 provides the basis for understanding the impact on firm value of varied business strategies and tactics.

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, 2nd edition by Michael Ehrhardt and Eugene Brigham, published by Thompson-South-Western 2005. Available in the University Bookstore in Elliott Center.

Maris Distributing Company case, available in University Bookstore. To reduce costs you make want to share the use of this case which serves as a discussion topic to wrap up the course.

We make heavy use of Excel, 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 in a more engaging fashion than the standard lecture. Reading the assigned text chapter before class and familiarity with the mini-cases will greatly improve understanding and motivate class discussions

- Reading the text assignment, reviewing the mini case, and working some of the end-of-chapter questions/problems before class is essential preparation.
- The MBA 605 course site in Blackboard provides course support: PowerPoint slides and Excel worksheets for the mini cases serve as the basis for class activities. Blackboard also provides Excel Toolkits for each chapter which provides instruction in using the software that is expressly tailored to our study. The Excel Toolkits enable students with limited experience with Excel to enhance their capabilities with spreadsheets and provide an excellent self-learning tool. Blackboard also provides the spreadsheets for the Build A Spreadsheet Model which are assigned for specific chapters.
- 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 is evaluated on the basis of Build A Spreadsheet Model and Blackboard test on designated chapters. The weight of the components are as follows:

	<u>Due</u>	<u>Weight</u>
Test on Chapter 2	Wk 3	20%
Spread Sheet Models for Chapters 3 and 4	Wk 4	20%
Test on Chapters 5, 6 and 7	Wk 5	20%
Spread Sheet Models for Chapters 11 and 12	Wk 7	20%
Test on Chapters 11, 12 and 13	Wk 8	20%

University Honor Code

Students are responsible for understanding and upholding the University's Honor Code which can be found at <http://studentconduct.uncg.edu/policy/academicintegrity/>.

Class Attendance and Involvement:

Graduate students lead busy lives and consistently impressed me with the quality of work they produce under considerable constraints. I will be understanding of your work 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**.

Course Syllabus

Note: Different sections of this course meet weekly and bi-weekly. Topics 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

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 answers for selected problems at the end of the text. *If you require, some class time can be devoted to answering question on the end-of-chapter material. The ball is in your court on this one, ask if you have questions.*

Take Blackboard quiz on Chapter Two in Week Three. You can take the quiz on your schedule and it will be available for one week.

Week Two

Continue Chapter 2 as necessary

Financial Statements provide important information about firms which is used by range of interested parties outside the firm. Our focus is on understanding the use of information in financial statements to gain insights about the value which they may/ may not create.

Chapter 3 in E&B---Financial Statements and Cash Flow---REQ

Toolkit for Chapter 3 ---REQ

Chapter 4 in E&B---Analysis of Financial Statements ---REQ

Toolkit for Chapter 4---REQ

Spreadsheet Problem 3-10 and Spreadsheet Problem 4-12 (a.k.s Build A Model) will be due in Week 4. The course website in Blackboard contains the partial

spreadsheets for the assigned problems. Please note that your work is to be provided in the format (short answer, calculations) as provided in the Build A Model spreadsheets. Work not provided as instructed in the spreadsheets will receive no credit. Note that where the Build A Model templates have colored cells you are being asked for some form of response.

Week Three

Take Blackboard Test on Chapter Two this week.

Continue with Chapter 4 if necessary.

Chapter 5 in E&B ---Risk and Return ---REQ

Toolkit for Chapter 5 ---REQ

Chapter 6 in E&B---Bonds and Their Valuation—REQ

Toolkit for Chapter 6---REQ

Week Four

Build A Model Excel exercises for Chapters 3 and 4 due this week.

Continue Chapter 6 as necessary.

Chapter 7 in E&B---Stock and Their Valuation.

Toolkit for Chapter 7 (REQ)

Chapter 9 in E& B---The Cost of Capital

Toolkit for Chapter 9 (REQ)

Week Five

Take Blackboard Test on Chapters 5, 6, and 7 this week.

Catch up time

Carry over of Chapter 9 as required

Chapter 10 in E&B-- The Basics of Capital Budgeting

Week Six

Chapter 11 in E & B –Cash Flow Estimation and Risk Analysis

Toolkit for Chapter 11 (REQ)

Chapter 12 in E & B—Financial Planning and Forecasting Financial Statements

Toolkit for Chapter 12 (REQ)

Build A Spreadsheet Model for Chapters 11 and 12 are due next week.

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 frequently used to assess risk in practice. 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 11. Toolkit Simulation.xls provides the typical toolkit instruction on the use of the simulation software in this case.

Week Seven

**Build A Spreadsheet Model for Chapters 11 and 12 due this week
(Note, if we have not completed lecture on Chapter 12 in Week 6 you should still be able to complete the Build A Spreadsheet Model for Chapter 12 with text reading.)**

Complete Chapter 12 if necessary

Chapter 13 in E & B –Corporate Valuation, Value-Based Management, and Corporate Governance

Toolkit for Chapter 13 (REQ)

Week Eight

Take Blackboard Test on Chapters 11,12 and 13 this week

Discussion of Maris Distributing Company case.

Course wrap-up