

**MBA 605.71: Financial Management**  
**MBA Program**  
**Bryan School of Business and Economics**  
**University of North Carolina at Greensboro**  
**Second Summer Session 2006**

**Course Number:** MBA 605-71  
**Dates:** 6/27, 7/11, 7/18, 7/25, 8/1 & 8/8/2006: Room 204  
**Course Title:** Financial Management  
**Professor:** Dr. Jeffrey Woo

**Consultation Hours:** Office # 350: Office Hours by Appointment  
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**Course Description:**

The primary objective of this course is to examine finance in the multinational organization. Case studies will be used extensively to familiarize students with business finance. The perspective of the Chief Financial Officer will be used to analyze financial statements and ratios.

**Methodology:**

All students are expected to come to class prepared. Attendance is mandatory. Absence from class will adversely affect your grade. Each absence will automatically lower your course grade by 2.5 points. More than two absences will automatically result in a course grade of "F". Two instances of either arriving late or leaving early will automatically drop your course grade by one letter. Assignments will be made in class and it is the student's responsibility to note such assignments accurately. Group members will be asked to anonymously grade each member's performance and the instructor may use these grades to determine an individual's overall group grade and/or class participation grade.

**Grading Policy:**

The grade will be derived as follows:

**Grading Scale:**

Although this course is pass/fail, the scale is as follows:

A	=	93+
A-	=	92-90
B+	=	89-87
B	=	86-83
B-	=	82-80
C+	=	79-77
C	=	76-73
C-	=	72-70
F	=	69-Below

**Grading Weights:**

3 Quizzes	=	60%
Corporate Analysis	=	30%
Homework	=	10%
Total Points:	=	100%

**Required Text:**

Brigham, E. & Ehrhardt, M. (2004). Financial Management Theory and Practice. (11th ed.). ISBN # 0-324-25968-9. Ft. Worth: Dryden Press.

Students will be required to have a financial calculator for the course. A **Texas Instruments BAI Plus** is required, but other calculators are acceptable as long as they have the ability to calculate Present Values, Future Values, Bond Values, Cash Flows and NPV's.

**Recommended Text:** (not required for this course)

Groppelli & Nikbakht (2000). Barron's Finance. ISBN# 0-7641-1275-9.

## **CLASS SCHEDULE/ASSIGNMENT DUE:**

**Please read the chapters before class and buy the calculator before the first workshop.**

### **Workshop 1 –**

Introduction: Chapter 1  
Topics Covered: SWM, Sole Proprietorship, Partnership, Corporations, LLP, LLC, LC, S Corps., Agency Theory, Money Markets, Capital Markets, IR components, Monetary vs. Fiscal Policy, Federal Reserve functions, & Stock Market Presentations during the second workshop.

TVM: Chapter 2: Problems 1-12  
Topics Covered: FV, FVA, FVAD, PV, PVA, EAR/APY, Amortization Schedules, Inflation Adjusted Rates.

### **Workshop 2 –**

Financial Statements: Chapter 3: Problems 1-6  
Topics Covered: Balance Sheet,  $A=L+E$ , Income Statement, Cash Flow Statement: Investing, Operating & Financing Activities, Statement of Owner's Equity, Pro-forma Statements, EBITDA, NOPAT, FCF, ROIC, MVA, EVA & introduction to WACC.

Financial Ratios: Chapter 13: Problems 9 & 10  
Topics Covered: Liquidity, Asset Management, Debt Management, Profitability & Market Value Ratios: p. 457.

Quiz # 1

### **Workshop 3 –**

Risk & Return: Chapter 4: Problems 1-6  
Topics Covered: Expected Rate of Return, Standard Deviation, Coefficient of Variation, Expected Return of a Portfolio, Systematic vs. Unsystematic Risk, Beta, SML & CAPM.

Risk & Return: Portfolio Theory Chapter 5:  
Topics Covered: Covariance, Correlation Coefficient ( $\rho$ ), Portfolio Standard Deviation, Assumptions of CAPM, CML, Expected Rate of Return of a Portfolio using CML.

### **Workshop 4 –**

Bonds: Chapter 6: Problems 1-10  
Topics Covered: Principal Value, Redemption Value, Maturity Value, Par Value, Face Value, Coupon Rate, Nominal Rate, Bond Risks: IR, Reinvestment, Call, Default, Inflation, Exchange-Rate, Liquidity, Volatility. Bond Rating Agencies: Standard & Poor, Moody's. Investment Grade vs. Junk Bond Status, Bond Valuation, YTM, YTC, Current Yield, Zero-Coupon Bonds, Convertible Bonds, Inherent Inverse Relationship between Price and Yield, Sinking Fund Provisions, Coupon Interest + Interest on Interest Reinvestment Equation, Price Volatility Characteristics of Option-Free Bonds & Graphical Illustration.

Equity: Chapter 7: Problems 1-11  
Topics Covered: Classified Stock, Founders' Shares, Primary vs. Secondary Market, IPO's, Stockholders' Rights, Stock Valuation Models with Growth, Dividend Yield, Capital Gains Yield, Required Rate of Return on Equity using the Discounted Cash Flow Model, Horizon Value Price Estimate, EMH: Weak, Semi-Strong, & Strong.

Quiz # 2

### **Workshop 5 –**

Cost of Capital: Chapter 9: Problems 6-11  
Topics Covered: Estimating Growth, WACC, & Cost of External Equity.

Capital Budgeting: Chapter 10: Problems 1-6 & 14-15  
Topics Covered: Payback Period, Discounted Payback Period, Net Present Value, Internal Rate of Return, Profitability Index, Modified Internal Rate of Return, Investment Opportunity Schedule & Unequal Project Lives Comparison.

### **Workshop 6 –**

Domestic, Public-Traded Corporate Analysis Project Presentation is Due.  
Quiz # 3

### **Attendance:**

Class attendance is mandatory. Absence from class will adversely affect your grade. Each absence will automatically lower your course grade by **2.5 points**. More than two absences will automatically result in a course grade of "F". Two instances of either arriving late or leaving early will automatically drop your course grade by one letter. Students who miss more than two workshops will receive a failing grade.

### **Honor Code:**

One mark of an educated individual is personal integrity. The members of the UNCG community are committed to a code of behavior that promotes academic excellence and social responsibility. A student is thus pledged to academic honesty. As academic honesty is considered to be a foundation stone of the educational enterprise, any form of cheating or plagiarism is considered to be an affront to the entire University community and may result in suspension from the University. Students should carefully study the definitions of cheating and plagiarism.

1. Cheating includes the following behaviors:
  - a) Copying another student's answers while completing any class assignment, study group assignment, or during in-class or take-home examinations.
  - b) Using notes, books, or any other unauthorized aids during an examination.
  - c) Unauthorized discussion of answers during in-class examinations.
  - d) Submitting another student's work as one's own.
  - e) Stealing another student's work.
2. Plagiarism is submitting a paper in which the **language, ideas, or thoughts** are identical to published or unpublished material from another source, **without correctly giving credit** to that source.
3. Failure of a student to report infractions is itself a violation of the Honor Code.

### **The Corporate Analysis Paper Parameters:**

Choose a publicly traded domestic corporation for your analysis. The corporation will need to be approved by the instructor during the second workshop. The corporation should have significant amounts of bonds issued. The description of the bonds will be found in the long-term debt section of the liabilities found in the balance sheet of the firm's 10-K report filed with the SEC. This is only to be used as a guide and a reference material. Since each corporate is unique, the topics listed are and the order that they are presented will alter.

TOC, Abstract, Introduction / History

Financial Analysis: Trends, Inter-Connections, Anomalies, Off-Balance Sheet Activities:

Balance Sheet

Income and Expense Statement

Statement of Cash Flows: Investing, Financing, Operating Activities

Statement of Retained Earnings

5 years of data.

Financial Ratio Analysis relative to Industry and/or their nearest competitor.

International Operations' Affect on Sales, Revenues, & Financials

Bond Analysis: Issues, IR's, Ratings, average weighted kd.

Equity Analysis: Common:

IPOs, Trends, Splits, Repurchases, Shelf-Registration

Treasury, Beta, Morning Star, Issuances

News articles from WSJ & industry analysts.

Two to three ways to calculate ks. (Should include CAPM & DCF).

Preferred Equities.

Analyst Reports & Wall Street's Expectations

WACC Calculation to include CAPM calculations and explanations of the logic behind the WACC components and weight calculations.

Capital Expenditure Projects

M&A Activity (May include a discussion about Goodwill)

Strategic Position: Industry / Annual Reports letters from the Chairman/CEO.

Recommendation: Buy, Sell, Hold from the POV of a potential investor & the current shareholder.