MEETING TIME AND PLACE:

MBA 707.01, Financial Management
6:30 pm – 9:20 pm Thursdays, Bryan School Bldg., Room 205

PREREQUISITES:

MBA 701 (Quantitative Analysis for Decision Making); MBA 702 (Financial and Managerial Accounting); MBA 703 (Economic Environment of the Firm)

INSTRUCTOR INFORMATION:

Instructor: Daniel T. Winkler
Office: 324 Bryan Bldg.
Phone: (336) 256-0122
E-mail: dt_winkler@uncg.edu (preferred method of communication)
Office Hours: By Appointment

COURSE DESCRIPTION:

Financial decision-making; topics include time value of money, risk and return, valuation of securities, financial options, cost of capital, capital budgeting, working capital policy, financing decisions.

REQUIRED TEXT:


In addition, in-class cases and case write-ups will be chosen from the following source:

Darden Business Cases. These may be purchased and downloaded online at: https://store.darden.virginia.edu/. In addition, these cases may be available through interlibrary loan.

The specific cases used for the case write-ups will be changed frequently. The cases for in-class discussion will also be changed as lectures and editions of the textbook change, or as the need arises to change the focus of the discussion. The Tentative Schedule (last two pages of the syllabus) lists the cases to be used in-class and for case write-ups.
STUDENT LEARNING OUTCOMES:

1. To state the major stakeholders in the modern corporation, describe how the interests of the stockholders in a firm may be in conflict with other stakeholders, and the role of ethics;
2. To solve time value of money problems (TVM) and be ready to apply TVM techniques in the work environment;
3. To identify the risk and return characteristics of financial securities and compare these characteristics;
4. To recognize financial options and apply option principles to other firm settings;
5. To apply risk and return estimation methodologies to the valuation of equity and debt claims and the firm’s cost of capital;
6. To identify relevant incremental cash flows, and apply capital budgeting techniques to these cash flows;
7. To contrast working capital policies in terms of risk and profitability;
8. To evaluate financing alternatives and the financial structure of the firm.

TEACHING METHODS:

This course will use multiple instructional methods. All topics will be taught with lectures to introduce the principles, foundations and concepts. PowerPoint slides will be placed on Blackboard for students to review. The lecture, however, will focus on topics that do not always correspond to the PowerPoint slides.

With the exception of student learning outcome #1, all others will have assigned problems from the textbook chapters. Students will have an opportunity to ask questions about these problems in class, and the instructor’s manual with the solutions is available on Blackboard.

Certain topics that involve contrasting, evaluation or application will often use the case method. Multiple cases and advanced problems are assigned and will often be discussed in class. These cases and advanced problems will help students learn to apply finance methods and techniques.

EVALUATION AND GRADING:

There are a total of three group cases, and two will be group case write-ups submitted for grading. The group case write-up should be no longer than four pages inclusive of exhibits (such as tables, charts and figures). In addition, it should have a cover page, and another page (the last page of the write-up) that is an assessment of group members’ contributions. The recommended solution must be based on the available data in the case (with the exception of commonly known factual data) and address the decision and/or policy issues facing the firm. The grade the students receive on the case write-ups will be based on the ability to provide a feasible solution, one that is also supported from the facts of the case, and one that has a solid financial foundation. In addition, students will be graded on grammar, spelling, punctuation, format and general appearance of your case write-up. The case questions are shown on the last page of the syllabus; you should directly refer to these questions when doing your case write-up.

In an effort to have objective evidence of each member’s contribution, it is strongly suggested that all team members work the case separately prior to meeting with the team. Group members should also keep a record of all the work done by each member. If a group is unable to make a decision on each member’s contribution, the written documentation should be attached for me to evaluate. My decision will be final.
The write-ups are due at the beginning of class on the date when it is due. No late write-ups will be accepted. The team should consist of either three or four students (but no more than four).

In addition to the cases, there will be three quizzes and a final exam. The quizzes and final exam have multiple choice questions to test basic knowledge and comprehension of principles and concepts. Open-ended problems will be used mainly to see if students can apply the principles and concepts for solving problems, analyzing situations, and evaluating alternatives. The final will cover topics following Quiz 3 and also selected topics from earlier in the semester.

There are no makeup quizzes. Students who contact me prior to the quiz and have a legitimate reason for missing the quiz may have the weight of the missed quiz placed on the final examination. Students can take an early quiz by notifying me at least 48 hours in advance of the regularly scheduled quiz.

A class participation grade is part of the overall class grade. Participating in class offers students the opportunity to learn from the diverse experiences and knowledge of colleagues. The participation will be based on the student’s involvement in the class discussions including assigned cases. An “A” grade for participation requires frequent contribution and insightful comments, while a “B” grade reflects participation and useful comments. Students who are not proactive in discussions or who are unprepared to actively participate will not receive a “B” grade or better.

The evaluation of the cases, quizzes, final exam, and participation and attendance will be weighted as follows:

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam 1</td>
<td>15%</td>
<td>Exam 2</td>
<td>15%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>20%</td>
<td>Case 1</td>
<td>20%</td>
</tr>
<tr>
<td>Case 2</td>
<td>20%</td>
<td>Participation and Attendance</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The grading scale for assigning final grades is as follows:

<table>
<thead>
<tr>
<th>Letter Grade</th>
<th>Numerical Score</th>
<th>Letter Grade</th>
<th>Numerical Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>92-100</td>
<td>B-</td>
<td>80-81.9</td>
</tr>
<tr>
<td>A-</td>
<td>90-91.9</td>
<td>C+</td>
<td>78-79.9</td>
</tr>
<tr>
<td>B+</td>
<td>88-89.9</td>
<td>C</td>
<td>70-77.9</td>
</tr>
<tr>
<td>B</td>
<td>82-87.9</td>
<td>F</td>
<td>0 – 69.9</td>
</tr>
</tbody>
</table>

Once everything is taken into consideration, the numerical score is rounded no more than one-half point to determine your letter grade. Once final grades are submitted, I will not change grades based on subjective considerations or re-grade old quizzes, exams or cases.

**TOPICAL OUTLINE/CALENDAR:**

The tentative schedule is shown on the last two pages of syllabus.
ACADEMIC INTEGRITY POLICY:

Each student is required to sign the Academic Integrity Policy on all major work submitted for the course. In addition, adherence to the Academic Integrity Policy (http://academicintegrity.uncg.edu/complete/) is expected and required of all students for all quizzes, exams and assignments. Failure to abide by this policy will result in disciplinary action.

ATTENDANCE POLICY:

Attendance is expected in this class, and therefore, the instructor will keep an attendance record. The first step towards having first-rate participation is for students to be present in class. Missing a class will reduce the participation grade by 5-10 points per class. The student is responsible for any announcements made during class even if the student is absent.

Although a student’s attitude is not explicitly in the participation grade, it may be considered in the determination of the final grade. Discourteous and/or unprofessional behavior to me and/or fellow students may adversely affect a student’s grade. The amount of the grade reduction is at my discretion.

ADDITIONAL REQUIREMENTS:

The Bryan School has adopted expectation guidelines for faculty and students which can be found at http://www.uncg.edu/bae/faculty_student_guidelines_sp07.pdf. We will implement these guidelines.
Tentative Schedule

Aug. 25
Ethics in Financial Management
Reading: Chapters 1 and 2

Review of Financial Analysis
Read Chapter 3 and Appendix; this should be a review from MBA 702 (class discussion focused on case)
Problems: A1, A2, Appendix Review
In-Class Group Case Discussion: (Ratios Tell a Story--Darden Case UVA-C-2202)

Sept. 1
Working Capital: Liquidity Management; Accounts Receivable; Financial Forecasting Reading:
Chapters 22: Section 22.1, 22.2, 22.3 (skip Float Management); 22.4 (skip Compensating Balances);
Chapter 23: Section 23.1, 23.2 (skip Credit Scoring Models); 23.3 (skip Collection Fractions and Receivables Balance Fractions); Chapter 24 (Section 24.3)

Sept. 8
Working Capital Continued . . .
Problems: Chapter 22: A3, A10; Chapter 23: A1, B1, B2; Chapter 24: B1, B4

Group Case Write-up #1 Due (FEDEX CORP. VERSUS UNITED PARCEL SERVICE OF AMERICA, INC.: WHO WILL DELIVER RETURNS FROM CHINA?– Darden Case UVA-F-1601)

Time Value of Money
Reading: Chapter 4

Sept. 15
Time Value of Money Continued . . .
Chapter 4 Problems: A3, A4, A9, A11, A13, A22, A24, A26, B6, B9, B10, B16, B21, B29, B31, B32

Valuation of Bonds and Stock
Reading: Chapter 5

Sept. 22
Valuation of Bonds and Stock Continued . . .
Chapter 5 Problems: A5, A6, A10, A12, A14, B5, B7, B11, B18, B20

Exam 1: Sept. 29 (1st half of class)

Sept. 29 (2nd half of class)
Risk and Return: Stocks
Reading: Chapter 6
Problems: A2, A3, B10, B12, B14

Oct. 6
Risk and Return: Stocks Continued . . .
Chapter 6 Problems: A2, A3, B10, B12, B14
Risk and Return: Asset Pricing Models and Capital Market Efficiency
Reading: Chapter 7, 15 (pp. 441-455 only)

Oct. 20
Chapter 7 Problems: A4, A8, B1, B5, B8, C4
Reading: Applying the Capital Asset Pricing Model (Darden UVA-F-1456)

Group Case Write-up #2 Due: (PITTIPOS FINANCIAL ADVISORS, LLC-- Darden Case UVA-F-1599)

Exam 2: Oct. 27 (1st half of class)

Oct. 27 (2nd half of class)
Cost of Capital
Reading: Chapter 8

Nov. 3
Cost of Capital Continued . . .
Chapter 8 Problems: A1, A2, A6, A8, A9, B6, B7 (assume annual coupon payments), B10

Business Investment Rules
Reading: Chapter 9

Nov. 10
Business Investment Rules Continued . . .
Chapter 9 Problems: A4, A8, B6, B9, B10, B17

Capital Budgeting Cash Flows
Reading: Chapter 10
In-Class Problem Analyses: Perma-Filter Co. and Jip-Sum Corp. (on Blackboard)

Nov. 17
Capital Budgeting Cash Flows Continued . . .
Chapter 10 Problems: A6, A8, A11, B5, B7, B13, B19

Capital Structure
Reading: Chapter 17 (skip Sections 17.6, 17.7)
Problem: B11

Dec. 1
Options
Reading: Chapter 12
Problems: Chapter 12: A3, A6

Comprehensive Final Exam: Dec. 8 (7 pm – 10 pm)
Case Questions

FEDEX CORP. VERSUS UNITED PARCEL SERVICE OF AMERICA, INC.: WHO WILL DELIVER RETURNS FROM CHINA? – Darden Case UVA-F-1601

1. Familiarize yourself with the financial and operating data in case Exhibits 1 and 2. How had FedEx and UPS performed between 2000 and 2005? Which firm was performing better? Discuss the insights you derived from the two firms’ financial statements and financial ratios.
2. How is the return on equity related to profit margin, asset utilization and use of leverage? How can the performance of UPS and FedEx be explained in this regard?
3. Familiarize yourself with the stock price data in case Exhibit 6. How had FedEx and UPS performed between 2000 and April of 2006? Which firm was performing better? Assuming the stock prices reflect anticipated future performance, how might one interpret the greater FedEx cumulative return?
4. Given the nature of the package delivery industry, the drivers of success outlined in the case and your analysis, do you think that either firm can attain a sustainable competitive advantage in this business, particularly in the emerging delivery market in China?

PITTINOS FINANCIAL ADVISORS, LLC– Darden Case UVA-F-1599

1. What was the structure of Pittinos Financial Advisors, LLC? What was its approach to financial planning and how might this have affected its investment recommendations?
2. Is there a tradeoff between security and retirement independence? Why do the Pittinos advisors emphasize this tradeoff with clients?
3. Do you agree with Pittinos’s definition of market efficiency? Why or why not? How does this definition affect investment decisions on behalf of his clients?
4. Which, if any, of the mutual funds should Pittinos add to his firm’s fund offerings? Use the fund characteristics as well as fund risk-adjusted performance to justify your decision.