



**FINANCIAL MANAGEMENT (Fall 2019)**  
**FIN 5307 -110 (Online) CRN 80132**

**Instructor Info:**

**Name:** Dr. Kevin Lee

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**Office Hours:** By appointment from 11AM to Noon MWF via Canvas. All other correspondence will be done via email. My response time will be within 24 hours during the work week and by Sunday night for weekend correspondence.

**Mode of instruction and course access:**

This course uses the A&M-Central Texas Canvas Learning Management System  
[<https://tamuct.instructure.com>].

Username: Your MyCT username (xx123 or everything before the "@" in your MyCT e-mail address)

Password: Your MyCT password

**Course Materials:**

Textbook: **Corporate Finance: Core Principles and Applications 5th Edition** by Ross, Westerfield, Jaffe, and Jordan. Published by: McGraw Hill  
ISBN: 978-1260152753

You will also need a financial calculator. I prefer that you have the TI BAI Professional financial calculator. This is because I can show you examples using these calculators. If you prefer to use an hp business calculator or a graphing calculator that has financial functions, that is fine but do not expect me to tutor you on how to use your own calculator. Also, since this is an online course, you may want to use Microsoft Excel to do more complex quantitative problems.

**Course Overview and description:**

An advanced analysis of value-based management techniques with the emphasis on the factor affecting the corporation's quest to maximize shareholder wealth. Topics covered include financial statement analysis, cash flow analysis, economic and market value added, securities valuation, the cost of capital, capital budgeting, capital structure, dividend policy, the use of leverage, working capital management, and corporate governance. Prerequisites: FIN foundations or equivalent or instructor waiver.

### **Course Objective (SLO):**

This is intended as a second course in corporate finance, following a course in basic corporate finance. It provides greater depth of the issues of firm valuation, capital structure, cost of capital, capital budgeting. These issues are central to the investment, financing, and dividend policy decisions facing financial managers. The course also provides a link between theory and practice.

Upon completion of this course, students should **understand** the following:

- a. The techniques used to solve different types of time value of money (TVM) problems
- b. The flow of information into a firm's financial statements
- c. The factors that influence economic value added (EVA) and market value added (MVA)
- d. The different methods used to assess a firm's strengths and weaknesses
- e. The techniques used to value financial assets and the value of a firm
- f. How to measure stand-alone risk and market risk
- g. The relationship between risk and rates of return
- h. The elements and peculiarities of the weighted average cost of capital (WACC) and its relationship with the optimal capital structure
- i. The basics of capital budgeting

### **Course Competencies and Assessments (based on SLOs above)**

Upon completion of this course, students should be able to do the following:

- a. Explain the relationship between compounding and discounting, between future and present value. Calculate the future value of some beginning amount, the present value of a single payment to be received in the future, the interest rate or time, given the other three variables in the TVM equation, the future and present value of a series of equal, periodic payments (annuity), the present and future values of an uneven series of cash flows, and construct loan amortization schedules for fully-amortized loans.
  
- b. List the types of information found in a corporation's annual report, explain what a balance sheet is, the information it provides, and how assets and claims on assets are arranged on a balance sheet. Explain what an income statement is and the information it provides. Differentiate between net cash flow and accounting profit. Identify the purpose of the statement of cash flows, list the factors affecting a firm's cash position that are reflected in this statement, and identify the three categories of activities that are separated out in this statement.
  
- c. Discuss how certain modifications to the accounting data are needed and used for corporate decision making and stock valuation purposes. Explain the terms: net operating working capital, total operating capital, NOPAT, operating cash flow, and free cash flow; and explain how each is calculated. Define the terms Market Value Added (MVA) and Economic Value Added (EVA), explain how each is calculated, and differentiate between them.
  
- d. Identify the five groups of ratios, specify which ratios belong in each group and demonstrate how each is calculated. Explain what information each group gives us about the firm's financial position. Explain what trend analysis is, and why it is important. Describe how the basic Du Pont equation is used, and how it may be modified to form the extended Du Pont equation, which includes the effect of financial leverage. Explain "benchmarking" and its purpose.

- e. Calculate the value of a bond with annual or semiannual interest payments. Calculate the yield to maturity, the yield to call, and the current yield on a bond. Differentiate between interest rate risk, reinvestment rate risk, and default risk. Explain the importance of bond ratings and list some of the criteria used to rate bonds. Determine the value of a share of common stock when: (1) dividends are expected to grow at some constant rate, (2) dividends are expected to remain constant (zero growth), and (3) dividends are expected to grow at some supernormal, or nonconstant, growth rate. Determine the value of a share of preferred stock, or given its value, calculate its expected return. Apply the total company (corporate valuation) model to value a firm in situations where future dividends are not easily predictable.
- f. Define risk and calculate the expected rate of return, standard deviation, and coefficient of variation for a probability distribution and historical observations. Explain the significance of a stock's beta coefficient, and use the market model to calculate it.
- g. Specify how risk aversion influences required rates of return. State the basic proposition of the Capital Asset Pricing Model (CAPM) and use the Security Market Line to calculate a stock's required rate of return.
- h. Define and calculate the component costs of debt and preferred stock. Use several approaches to estimate the component cost of retained earnings. Calculate the cost of new common equity, and calculate the retained earnings breakpoint. Calculate the firm's composite, or weighted average, cost of capital and explain how WACC moderates the optimal capital structure.
- i. Calculate net present value (NPV) and internal rate of return (IRR) for a given project and evaluate each method. Calculate the modified internal rate of return (MIRR) for a given project and evaluate this method. Calculate both the payback and discounted payback periods for a given project and evaluate each method.

### **Course Requirements:**

Homework (300 points) – There will be end of chapter homework assignments throughout the semester. All homework assignments combined will be worth 300 points. I will not accept late homework. Let me repeat. I WILL NOT ACCEPT LATE HOMEWORK! (Unless there are some extenuating circumstances but that will be a case by case determination)

Exams (700 points) – You will have 3 exams in this class. The first two exams are worth 200 points each. These exams will cover material from the chapters that were covered after the previous exam. This means that these exams are not comprehensive...technically. However, since much of the material builds on itself, you must understand earlier chapters to be able to show your understanding of later chapters. The final exam will be comprehensive and worth 300 points.

Grading:

900+	A
800 – 899.99	B
700 – 799.99	C
600 – 699.99	D
0 – 599.99	F

NOTE: Requests for Incomplete Grades: Incompletes will only be given in emergency or other extreme circumstances. Any request for an incomplete grade in this course must be approved by the professor prior to the last week of classes. Requests should be submitted in written form, include a detailed explanation and documentation, and must include an address and/or telephone number where you may be contacted throughout the following semester. There is a university requirement that a substantial portion of the course work must have been completed by the student prior to receiving and incomplete. Also, students will be required to enter into a contract with the professor to finish the course within some set timeframe to be determined by the professor. Students will no longer be able to get an IC after doing 5% of the class and then get an extra semester to complete their work.

## **ACADEMIC SUPPORT, RESOURCES AND POLICIES**

### **Canvas Support**

Use the Canvas Help link, located at the bottom of the left-hand menu, for issues with Canvas. You can select “Chat with Canvas Support,” submit a support request through “Report a Problem,” or call the Canvas support line: 1-844-757-0953.

For issues related to course content and requirements, contact your instructor.

### **Other Technology Support**

For log-in problems, students should contact Help Desk Central.

24 hours a day, 7 days a week:

Email: [helpdesk@tamu.edu](mailto:helpdesk@tamu.edu)

Phone: (254) 519-5466

[Web Chat](http://hdc.tamu.edu): [http://hdc.tamu.edu]

*Please let the support technician know you are an A&M-Central Texas student.*

### **911 Cellular**

Emergency Warning System for Texas A&M University-Central Texas

911Cellular is an emergency notification service that gives Texas A&M University-Central Texas the ability to communicate health and safety emergency information quickly via email, text message, and social media. All students are automatically enrolled in 911Cellular through their myCT email account.

Connect at [911Cellular](https://portal.publicsafetycloud.net/Texas-AM-Central/alert-management) [https://portal.publicsafetycloud.net/Texas-AM-Central/alert-management] to change where you receive your alerts or to opt out. By staying enrolled in 911Cellular, university officials can quickly pass on safety-related information, regardless of your location.

### **Drop Policy.**

If you discover that you need to drop this class, you must complete a [Drop Request Form](https://www.tamuct.edu/registrar/docs/Drop_Request_Form.pdf) [https://www.tamuct.edu/registrar/docs/Drop\_Request\_Form.pdf].

Professors cannot drop students; this is always the responsibility of the student. The Registrar's Office will provide a deadline on the Academic Calendar for which the form must be completed, signed and returned. Once you return the signed form to the Registrar's Office, you must go into Warrior Web and confirm that you are no longer enrolled. If you still show as enrolled, FOLLOW-UP with the Registrar's Office immediately. You are to attend class until the procedure is complete to avoid penalty for absence. Should you miss the drop deadline or fail to follow the procedure, you will receive an F in the course, which may affect your financial aid and/or VA educational benefits.

### **Academic Integrity.**

Texas A&M University -Central Texas values the integrity of the academic enterprise and strives for the highest standards of academic conduct. A&M-Central Texas expects its students, faculty, and staff to support the adherence to high standards of personal and scholarly conduct to preserve the honor and integrity of the creative community. Academic integrity is defined as a commitment to honesty, trust, fairness, respect, and responsibility. Any deviation by students from this expectation may result in a failing grade for the assignment and potentially a failing grade for the course. Academic misconduct is any act that improperly affects a true and honest evaluation of a student's academic performance and includes, but is not limited to, cheating on an examination or other academic work, plagiarism and improper citation of sources, using another student's work, collusion, and the abuse of resource materials. All academic misconduct concerns will be reported to the university's Office of Student Conduct. Ignorance of the university's standards and expectations is never an excuse to act with a lack of integrity. When in doubt on collaboration, citation, or any issue, please contact your instructor before taking a course of action.

### **Academic Accommodations.**

At Texas A&M University-Central Texas, we value an inclusive learning environment where every student has an equal chance to succeed and has the right to a barrier-free education. The Office of Access and Inclusion is responsible for ensuring that students with a disability receive equal access to the university's programs, services and activities. If you believe you have a disability requiring reasonable accommodations please contact the Office of Access and Inclusion at (254) 501-5831. Any information you provide is private and confidential and will be treated as such.

For more information please visit our [Access & Inclusion](https://www.tamuct.edu/student-affairs/access-inclusion.html) web page [https://www.tamuct.edu/student-affairs/access-inclusion.html].

**Important information for Pregnant and/or Parenting Students.**

Texas A&M University-Central Texas supports students who are pregnant and/or parenting. In accordance with requirements of Title IX and related guidance from US Department of Education's Office of Civil Rights, the Dean of Student Affairs' Office can assist students who are pregnant and/or parenting in seeking accommodations related to pregnancy and/or parenting. Students should seek out assistance as early in the pregnancy as possible. For more information, please visit the [Student Affairs](https://www.tamuct.edu/student-affairs/index.html) web page [https://www.tamuct.edu/student-affairs/index.html]. Students may also contact the institution's Title IX Coordinator. If you would like to read more about these [requirements and guidelines online](http://www2.ed.gov/about/offices/list/ocr/docs/pregnancy.pdf), please visit the website [http://www2.ed.gov/about/offices/list/ocr/docs/pregnancy.pdf].

Title IX of the Education Amendments Act of 1972 prohibits discrimination on the basis of sex and gender—including pregnancy, parenting, and all related conditions. A&M-Central Texas is able to provide flexible and individualized reasonable accommodation to pregnant and parenting students. All pregnant and parenting students should contact the Associate Dean in the Division of Student Affairs at (254) 501-5909 to seek out assistance. Students may also contact the University's Title IX Coordinator.

**Tutoring.**

Tutoring is available to all A&M-Central Texas students, both on-campus and online. Subjects tutored on campus include Accounting, Advanced Math, Biology, Finance, Statistics, Mathematics, and Study Skills. Tutors are available at the Tutoring Center in Warrior Hall, Suite 111.

If you have a question regarding tutor schedules, need to schedule a tutoring session, are interested in becoming a tutor, or have any other question, contact Academic Support Programs at (254) 519-5796, or by emailing Dr. DeEadra Albert-Green at [deeadra.albertgreen@tamuct.edu](mailto:deeadra.albertgreen@tamuct.edu).

Chat live with a tutor 24/7 for almost any subject from on your computer! Tutor.com is an online tutoring platform that enables A&M-Central Texas students to log in and receive FREE online tutoring and writing support. This tool provides tutoring in over 40 subject areas. Access Tutor.com through Canvas.

**University Writing Center.**

Located in Warrior Hall 416, the University Writing Center (UWC) at Texas A&M University-Central Texas (TAMUCT) is a free workspace open to all TAMUCT students from 10:00 a.m.-5:00 p.m. Monday thru Thursday with satellite hours in the University Library Monday thru Thursday from 6:00-9:00 p.m. This semester, the UWC is also offering online only hours from 12:00-3:00 p.m. on Saturdays.

Students may arrange a one-on-one session with a trained and experienced writing tutor by visiting the UWC during normal operating hours (both half-hour and hour sessions are

available) or by making an appointment via [WOnline](https://tamuct.mywconline.com/) at [https://tamuct.mywconline.com/]. In addition, you can email Dr. Bruce Bowles Jr. at [bruce.bowles@tamuct.edu](mailto:bruce.bowles@tamuct.edu) for any assistance needed with scheduling.

Tutors are prepared to help writers of all levels and abilities at any stage of the writing process. While tutors will not write, edit, or grade papers, they will assist students in developing more effective composing practices. By providing a practice audience for students' ideas and writing, our tutors highlight the ways in which they read and interpret students' texts, offering guidance and support throughout the various stages of the writing process. In addition, students may work independently in the UWC by checking out a laptop that runs the Microsoft Office suite and connects to WIFI, or by consulting our resources on writing, including all of the relevant style guides. Whether you need help brainstorming ideas, organizing an essay, proofreading, understanding proper citation practices, or just want a quiet place to work, the UWC is here to help!

If you have any questions about the UWC, please do not hesitate to contact Dr. Bruce Bowles Jr. at [bruce.bowles@tamuct.edu](mailto:bruce.bowles@tamuct.edu).

### **University Library**

The University Library provides many services in support of research across campus and at a distance. We offer over 200 electronic databases containing approximately 250,000 eBooks and 82,000 journals, in addition to the 85,000 items in our print collection, which can be mailed to students who live more than 50 miles from campus. Research guides for each subject taught at A&M-Central Texas are available through our website to help students navigate these resources. On campus, the library offers technology including cameras, laptops, microphones, webcams, and digital sound recorders.

Research assistance from a librarian is also available 24 hours a day through our online chat service, and at the reference desk when the library is open. Research sessions can be scheduled for more comprehensive assistance, and may take place on Skype or in-person at the library. Assistance may cover many topics, including how to find articles in peer-reviewed journals, how to cite resources, and how to piece together research for written assignments.

Our 27,000-square-foot facility on the A&M-Central Texas main campus includes student lounges, private study rooms, group work spaces, computer labs, family areas suitable for all ages, and many other features. Services such as interlibrary loan, TexShare, binding, and laminating are available. The library frequently offers workshops, tours, readings, and other events. For more information, please visit our [Library website](http://tamuct.libguides.com/index) [http://tamuct.libguides.com/index].

**Course Calendar:** This calendar is tentative and may change throughout the semester at the discretion of the professor.

<b>Week</b>	<b>Date</b>	<b>Topic</b>	<b>Chapters</b>
1	8/26 – 8/30	Introduction to Corporate Finance	1
2	9/2 – 9/6	Financial Statements	2, 3
3	9/9 – 9/13	Financial Statements (continued)	2, 3
4	9/16 – 9/20	Discounted Cash Flows	4
5	9/23 – 9/27	Bond Valuation	5
6	9/30 – 10/4	Stock Valuation	6
<b>7</b>	<b>10/7 – 10/11</b>	<b>Exam 1</b>	
8	10/14 – 10/18	NPV and Other Investment Rules	7
9	10/21 – 10/25	NPV and Other Investment Rules (continued)	7
10	10/28 – 11/1	Capital Investment Decisions	8
11	11/4 – 11/8	Capital Investment Decisions (continued)	8
12	11/11 – 11/15	The Capital Asset Pricing Model	11
13	11/18 – 11/22	Cost of Capital	12
14	11/25 – 11/29	Thanksgiving Break	
<b>15</b>	<b>12/2 – 12/6</b>	<b>Exam # 2</b>	
<b>16</b>	<b>12/9 – 12/13</b>	<b>Comprehensive Final Exam</b>	