

## MSF505: Managerial Finance

### *Syllabus Overview*

This syllabus contains all relevant information about the course: its objectives and outcomes, the grading criteria, the texts and other materials of instruction, and of weekly topics, outcomes, assignments, and due dates.

Consider this your roadmap for the course. Please read through the syllabus carefully and feel free to share any questions that you may have. Please print a copy of this syllabus for reference.

### *Course Description*

3 Credits

Prerequisite: None

The primary objective is to provide a framework, concepts, and tools for analyzing financial decisions based on fundamental principles of modern financial theory. The approach is rigorous and analytical. Topics covered include discounted cash flow techniques; corporate capital budgeting and valuation; investment decisions under uncertainty; capital asset pricing; options; and market efficiency. The course will also analyze corporate financial policy, including capital structure, cost of capital, dividend policy, and related issues. This course also covers the operating and financial leverage, sustainable growth, and financial health of a firm.

### *Course Outcomes*

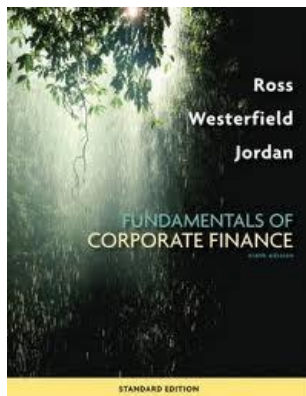
At the completion of this course the student should be able to:

- Identify the relevant cash flows and appropriate risk-adjusted discount rate when making a capital budgeting decision.
- Use the advantages and disadvantages of the various capital budgeting decision methods to best advantage.
- Use the WACC in capital budgeting environments.
- Quantitatively and qualitatively assess a firm's capital structure with the goal of identifying the optimal capital structure.
- Apply valuation methods.

### *Faculty Information*

Faculty information will be sent to you via email from your course instructor prior to the start of the term.

## *Materials and Resources*



### **Required Text:**

Ross, S., Westerfield, R., and Jordan, B., Fundamentals of Corporate Finance, 9th Ed. (2010)

Note: This is a customized textbook that is bundled with a Connect access card. It should be purchased through the NECB Bookstore.

### **Additional Text or Resources:**

- All students should have a working knowledge of business information via such outlets as the Wall Street Journal.
- Financial calculator capable of computing NPV, IRR, and bond valuations, the recommendation is the Texas Instruments BA-II Plus Professional.
- EXCEL spreadsheet use is encouraged but not required. We recognize that competence with spreadsheet applications is a requirement of professional positions in finance and management and strongly urge, and appreciate, the extensive use of such applications.
- Business leaders as well as managers in all organizations need to be abreast of developments in the wider environment which can impact on the performance of their operations. As such you should make time each day to inform yourself of current events: business, finance, political and general. It is strongly suggested that you read significant portions of the business press (suggested for this course the *WSJ*) and watch a business/finance cable channel every day.

### **Library Services:**

Detailed information about online and on-ground library services can be found in the Getting Started section of the course, or at [www.necb.edu](http://www.necb.edu).

### **Help Desk and Technical Questions:**

If you experience problems accessing your course, downloading content items, or posting discussion threads, your first troubleshooting resource is the Technical Services Help Desk.

There are 3 ways to contact them:

- Using the **Student Support Request Form** at [http://www.necb.edu/support\\_epic.asp](http://www.necb.edu/support_epic.asp)
- By email at [support@necb.edu](mailto:support@necb.edu)
- By phone at 1-800-997-1673

Additional Epic support and resources, including the **Student Support Request Form** (generates a ticket # to track your resolution) and Student Reference Guides, are available on our website: [http://www.necb.edu/support\\_epic.asp](http://www.necb.edu/support_epic.asp).

Be sure to notify your professor of any technical difficulties you are experiencing since it may be impacting other students as well.

### **Discussion Posting Information**

The **minimum** discussion posting requirements for this course is as follows:

- ✓ Two original postings due no later than 11:59pm on Wednesday (Eastern Time). Original posting will be accepted up until Thursday, 11:59pm (Eastern Time) with a late penalty; after that, no original posts will be accepted.
- ✓ The four follow-up postings (two for each discussion board) must be done on different days between Thursday, Friday, and Saturday.
- ✓ No follow-up postings will be accepted after 11:59pm on Saturday (Eastern Time)
- ✓ Each original posting must be supported by a minimum of **three** quality academic and/or industry references. (None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)

Examples of acceptable references include:

- The Financial Times
- The Economist
- The Wall Street Journal
- Businessweek
- Reuters
- Marketwatch
- BBC
- CNBC
- The Journal of Finance
- Harvard Business Review

Examples of unacceptable references include:

- ⊗ Wikipedia
- ⊗ About.com
- ⊗ Ask.com
- ⊗ Yahoo Answers
- ⊗ eHow
- ⊗ Personal blogs

*Weekly Schedule*

Week 1	Time Value of Money and Cash Flow Analysis
Outcomes	<ul style="list-style-type: none"> <li>• Demonstrate why and how corporate finance informs business decision making</li> <li>• Identify and understand the key financial statements managers use for decision making</li> <li>• Calculate and interpret the major financial ratios</li> <li>• Compute and understand the PV and FV of cash flows under various scenarios</li> </ul>
Readings	<ul style="list-style-type: none"> <li>• Chapter 1: Introduction to Corporate Finance</li> <li>• Chapter 2: Financial Statements, Taxes and Cash Flow</li> <li>• Chapter 3: Working with Financial Statements</li> <li>• Chapter 5: Introduction to Valuation</li> </ul> <p><u>Note:</u> You are NOT required to read Chapter 4, it was intentionally left out of your reading assignments and the custom textbook.</p>
Discussion 1	<p>How do unequal cash flows affect the future value of an investment? (Support your original response with a minimum of <b>three</b> quality academic and/or industry references. None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)</p>
Discussion 2	<p>The recent experience of the U.S. financial sector with the so called subprime crisis and the attendant attempts at financial market reform have centered to some large extent on the behavior of executives in those firms who have had alleged conflict of interest relationships. In financial theory we call this “the agency problem” and have an extensive body of literature and research on the topic. What precisely is an agency relationship, what potential problems do these relationships cause, what are their costs, and what can firms do to either eliminate or reduce these potential problems and costs? (Support your original response with a minimum of <b>three</b> quality academic and/or industry references. None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)</p>
Assignments	<ol style="list-style-type: none"> <li>1) Review the lectures and video resources</li> <li>2) Homework Problems: 10 problems assigned in Connect</li> <li>3) Mini Case: Ratio Analysis at S&amp;S Air, Inc. (end of Chapter 3)</li> </ol>

Week 2	Valuation
Outcomes	<ul style="list-style-type: none"> <li>• Be able to identify the financial characteristics of stocks and bonds</li> <li>• Explain the underlying relationship between stock prices and interest rates</li> <li>• Calculate stock and bond prices</li> </ul>
Readings	<ul style="list-style-type: none"> <li>• Chapter 6: Discounted Cash Flow Valuation</li> <li>• Chapter 7: Interest Rates and Bond Valuation</li> </ul>

	<ul style="list-style-type: none"> <li>Chapter 8: Stock Valuation</li> </ul>
Discussion 1	Retirement planning is a huge financial issue for most people and one increasingly fraught with problems. Please discuss the use of stocks and bonds in a well-balanced retirement portfolio over the span of a lifetime.
Discussion 2	We have learned that in finance the most relevant and most important financial variable is cash, and it is this variable that is primarily used in financial analysis. While seemingly easier to understand than accounting or economic concepts like income and opportunity cost, cash in finance can be hard to measure for particular uses. When we are trying to value common stocks what are the relevant cash flows and why?
Assignments	<ol style="list-style-type: none"> <li>Review the lectures and video resources</li> <li>Homework Problems: 10 problems assigned in Connect</li> <li>Mini Case: Stock Valuation at Ragan, Inc. (end of Chapter 8)</li> </ol>

Week 3	Capital Budgeting
Outcomes	<ul style="list-style-type: none"> <li>Calculate and use the cost of capital and WACC statistics</li> <li>Estimate the cash flows which apply to a capital budgeting project</li> <li>Interpret the various forms of risk measures used in capital budgeting</li> <li>Calculate and use in a decision environment NPV, IRR and PB techniques</li> </ul>
Readings	<ul style="list-style-type: none"> <li>Chapter 9: NPV and Other Investment Criteria</li> <li>Chapter 10: Making Capital Investment Decisions</li> <li>Chapter 11: Project Analysis and Evaluation</li> </ul>
Discussion 1	Capital budgeting decisions are arguably the most important decisions that executives have to make – indeed this is why many of them are hired in the first place. Discuss the role and importance of capital budgeting decisions on the future survival and sustainability of the organization. (Support your original response with a minimum of <b>three</b> quality academic and/or industry references. None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)
Discussion 2	Discuss the relationships between the goal of the firm, financial management and capital budgeting. (Support your original response with a minimum of <b>three</b> quality academic and/or industry references. None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)
Assignments	<ol style="list-style-type: none"> <li>Review the lectures and video resources</li> <li>Homework Problems: 10 problems assigned in Connect</li> <li>Mini Case: Conch Republic Electronics, Part 1 (end of Chapter 10)</li> </ol>

Week 4	Risk, Return and the Capital Asset Pricing Model (CAPM)
Outcomes	<ul style="list-style-type: none"> <li>• Measure and evaluate the risk of an investment</li> <li>• Recognize the risk and return trade off and its implications for decision making</li> <li>• Calculate and interpret the “beta” statistic</li> <li>• Utilize the CAPM</li> </ul>
Readings	<ul style="list-style-type: none"> <li>• Chapter 12: Some Lessons from Capital Market History</li> <li>• Chapter 13: Risk, Return and the SML</li> </ul>
Discussion 1	<p>The financial news has been dominated recently by stories of financial institutions that have miss-measured the risk as part of the subprime mortgage crisis. Discuss the role of risk assessment and measurement in the subprime crises and provide examples of both good and bad decisions that financial institutions made before the reform measures were adopted as part of the Dobb-Frank Bill. (Support your original response with a minimum of <b>three</b> quality academic and/or industry references. None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)</p>
Discussion 2	<p>Real world financial markets such as the NYSE or the foreign exchange (foreign currency) markets are assumed to be “efficient” in their structure and operation. Indeed if they are not (or not approximately efficient) much of contemporary financial theory would not apply to them. What is an efficient market, why are they important and what are the various forms of market efficiency? Please provide examples of each. (Support your original response with a minimum of <b>three</b> quality academic and/or industry references. None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)</p>
Assignments	<ol style="list-style-type: none"> <li>1) Review the lectures and video resources</li> <li>2) Homework Problems: 10 problems assigned in Connect</li> <li>3) Mini Case: The Beta for Colgate-Palmolive (end of Chapter 13)</li> </ol>

Week 5	Capital and Capital Structure
Outcomes	<ul style="list-style-type: none"> <li>• Describe and analyze the major methods of securing long term financing: debt and equity</li> <li>• Describe the optimal capital structure</li> <li>• Apply the M&amp;M model under various assumptions <ul style="list-style-type: none"> <li>• Describe how the optimal capital structure of a firm might change as the environment and business conditions change</li> <li>• WACC</li> </ul> </li> </ul>
Readings	<ul style="list-style-type: none"> <li>• Chapter 14: Cost of Capital</li> <li>• Chapter 15: Raising Capital</li> <li>• Chapter 16: Financial Leverage and Capital Structure Policy</li> </ul>
Discussion 1	<p>The capital structure of a firm is a crucial decision that executives must</p>

	<p>make. In fact, the question that is highly related to the capital budgeting decision was discussed last week. That is after we have decided that a particular project is worth more than it costs we must determine how to finance its acquisition, either by selling debt or equity.</p> <p>Discuss the influence of taxes and bankruptcy costs on the optimal capital structure. If you were the current CFO of Rite-Aid Pharmacy, how would these considerations guide your decision making in the near future as you consider RA's capital structure? (Support your original response with a minimum of <b>three</b> quality academic and/or industry references. None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)</p>
Discussion 2	<p>In thinking about investments, especially capital investments by a firm, the cost of capital and especially the WACC is hugely important. What factors precisely determine the cost of capital for such investments, and what is the relationship between the required rate of return on an investment and its cost of capital? Give examples from your place of work. (Support your original response with a minimum of <b>three</b> quality academic and/or industry references. None of the required readings for this course, including the textbook, can be utilized to fulfill this minimum requirement.)</p>
Assignments	<ol style="list-style-type: none"> <li>1) Review the lectures and video resources</li> <li>2) Homework Problems: 10 problems assigned in Connect</li> <li>3) Mini Case: Cost of Capital for Hubbard Computer, Inc. (end of Chapter 14)</li> </ol>

### *Grading and Evaluation*

Your grades will reflect the way in which you present and support your topics and positions in the various learning activities used in this concentration. The grades will be based on the quality and quantity of your comments, responses in the various activities.

The various graded activities are weighted as follows:

Course Element	% of Grade
Homework Problems (Connect)	35%
Discussions	25%
Minicases	40%
<b>Total</b>	<b>100%</b>

## MSF505: Managerial Finance

Please refer to the rubrics provided in the course for specific grading criteria.

The final course grading criteria is described in the table below.

Letter Grade	Grade %	Description
A	94 – 100%	Very Good to Excellent. Comprehensive knowledge and understanding of the subject matter.
A-	90 – 93.9%	
B+	87 – 89.9%	Good. Moderately broad knowledge and understanding of the subject matter.
B	83 – 86.9%	
B-	80 – 82.9%	
C+	77 – 79.9%	Satisfactory. Reasonable knowledge and understanding of the subject matter.
C	73 – 76.9%	
C-	70 – 72.9%	
D	60 – 69.9%	Marginal. Minimum knowledge and understanding of subject matter.
F	Below 60%	Failing. Unacceptable level of knowledge and understanding of subject matter.

### *Homework Problems and Questions*

Finance is an inherently practical discipline and one of the best ways to learn the subject is to become increasingly familiar with manipulating the tools of the discipline. Assigned for each chapter in Connect are homework problems which will aid you in mastering the crucial points of that chapter. Please make a sincere and good faith effort to solve each one and bring any questions or concerns that you might have to your professor.

### *Mini Cases*

Each week students will be assigned a mini case that they are to solve individually. These will be situational in that they will present information and a problem in a facsimile of a business environment. You are responsible for addressing the issue in the case and providing a solution or way forward. The best preparation for the cases will be to follow the text and the homework problems closely as that material will reappear in a different form on the mini cases.

Your grade will be determined by the robustness of your solution, the analytical quality and detail of your supporting arguments, and the soundness of your conclusion or recommendation.

Cases are to be completed on an individual basis and should be no more than 5 double spaced pages in length, with one inch margins. Please respond to all questions in the case. You may attach appendices, statistical data, a bibliography, etc. none of which will be counted in the 5 page total. The case should have a title page..

### *Make-Up Exams or Assignments*

To be determined by the instructor on a one-to-one basis.

## ***Reasonable Accommodations Policy – Individuals with Disabilities***

NECB does not discriminate against individuals on the basis of physical or mental disability and is fully committed to providing reasonable accommodations, including appropriate auxiliary aids and services, to qualified individuals with a disability, unless providing such accommodations would result in an undue burden or fundamentally alter the nature of the relevant program, benefit, or service provided by NECB. To request an auxiliary aid or service please contact the VP for Academic Affairs at NECB, 10 High Street, Boston, MA 02110

Individuals requesting an auxiliary aid or service will need to complete an Application for Auxiliary Aid. To enable NECB to timely provide an auxiliary aid or service, NECB requests that individuals complete and submit the Application for Auxiliary Aid six weeks before the first day of classes, or as soon as practicable. Disagreements regarding an appropriate auxiliary aid and alleged violations of this policy may be raised pursuant to NECB's grievance procedures.

## ***Course Policies and Procedures***

### ***Learner Success Guidelines***

These policies and guidelines will help you complete this course more successfully:

- ✓ Participate in the class introduction activity on the first day of class.
- ✓ Submit ALL assignments and take the Mid Term and the Final Exam by the posted due dates and times.
- ✓ Check your emails daily.
- ✓ Put your first and last name and your course number (i.e., Joan Brown, ENG101), on each of the emails you send to your Professor and/or other NECB staff.
- ✓ Participate fully in all threaded discussions.
- ✓ Contact the help desk by email (preferable) at [support@necb.edu](mailto:support@necb.edu) for resolutions to your technology problems.
- ✓ Contact your Professor (by telephone or by email) if you have questions about an assignment or need additional help completing your work successfully.
- ✓ Academic dishonesty is grounds for dismissal from the program.

### ***Student Attendance***

It is strongly ***recommended*** that students post class introductions the first day of class. In line with the College's Add/Drop Policy, it is ***required*** that students post attendance (log into the class and introduce themselves) within the first three days of the term. Students who are registered for a course must officially withdraw from the course within the first three days of the Term if they do not plan on continuing in the course. Registered students are not automatically withdrawn from any course. Students who withdraw from the course after the third day (Wednesday) will be subject to partial to full tuition charges as outlined in the College's Withdrawal Policy. NECB's add/drop and withdrawal policies can be reviewed on NECB's website in the Academic Catalog or Student Handbook.

### ***Additional Expectations***

Students will be expected to meet all the deadlines of the class as indicated throughout the course and in the syllabus. This is primarily so we don't get behind in the course. In addition, discussions cannot overlap from one unit to the next. This is to ensure that all discussions and

submissions take place within the week they are scheduled in order to be of value to the entire class as well as to help you not get behind. If there are extenuating circumstances, you will need to communicate that to the professor and make arrangement accordingly, if appropriate.

### ***Asynchronous and Synchronous Work***

All required work for the course may be done asynchronously; i.e., students can login to the course, read/download materials, post to the Discussions, and submit assignments throughout the course week. Please carefully follow syllabus and the weekly checklists to help manage your time throughout the course week; once we enter week 2 or 3, students typically become much more comfortable with the pace and flow of the course.

### ***Feedback***

You can expect frequent and consistent feedback from your instructor.

### ***Academic Honesty, Student Integrity & Plagiarism***

Academic honesty and student integrity are of fundamental importance at NECB. We want students to understand this clearly. Every member of the NECB Community is expected to maintain the highest standards of academic honesty. Plagiarism or self-plagiarism in any form is a serious violation of those standards and will not be tolerated at NECB.

A student shall not receive credit for work that is not the product of a student's own effort. A student's name on any written document constitutes a statement that the work is the result of the student's own thought and study, stated in the student's own words, and produced without the assistance of others, except in quotes, in-text citations, footnotes or references with appropriate acknowledgement of the source. Students must be aware that material (including ideas, phrases, sentences, etc.) taken from the College's eLibrary, the Internet and other resources must be appropriately cited using APA Style Guidelines in any written work turned in for any NECB class.

'Self Plagiarism' or submitting one's own work to more than one course is absolutely prohibited by NECB. NECB does not allow a student to turn in the same assignment to more than one course without prior explicit written permission from the instructor of the second course. The reason for this is that a grade and credit for completed work has already been previously received in a course. If a student submits work to a second course, the student is expecting to receive credit twice for a previously submitted assignment. In addition, a student is not allowed to submit work that has been completed in collaboration with someone else without prior explicit permission from the instructor. (This excludes 'group work' within a course as part of the course requirements.)

Failure to properly cite resources may result in a referral from the instructor to the Vice-President of Academic Affairs. The outcome of this action may involve academic and disciplinary sanctions, which could include but not be limited to such penalties as receiving no credit for the assignment in question, receiving no credit for the related course or suspension or dismissal from NECB.

### ***Disclaimer***

As a disclaimer, any materials in or related to this course are provided for educational purposes only and not for the purpose of providing any legal, accounting, tax or other professional advice

## MSF505: Managerial Finance

or services. The information provided in this class is of a general nature, and it cannot substitute for the advice of a licensed professional in any respect. The application and effect of laws may vary widely depending on the specific facts and jurisdiction, and no representation or warranty is made with respect to the accuracy of any materials in or related to the course. Accordingly, the information provided is solely for general educational purposes.

### ***Caveat***

The above schedule, content, and procedures in this course are subject to change in the subject field, changes in the knowledge base or other unforeseen circumstances.