

**INTERAMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS
FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION
SCHOOL OF ECONOMICS**

SYLLABUS

I. GENERAL INFORMATION

Course title	: Managerial Finance
Code and Number	: Fina 2100
Credits	: 3
Academic Term	:
Professor	:
Office Hours	:
Office Telephone Number	:
E-Mail	:

II DESCRIPTION

Study of the basic and contemporary principles of financial administration and its use in decision making. Emphasis on the use of mathematical models to determine the present and future value of investments. Use of techniques to evaluate the financing of the company's assets, risk and project yield. Analysis of the structure and the cost of capital. Prerequisite: ACCT 1162.

III OBJECTIVES

Facilitate the student with the tools that allow the student to evaluate the financial strength or weakness of businesses. Acquaint the student with the concept of time value of money and its application in the determination of the price of financial assets, taking into account risk. Prepare students in the concepts of project evaluation in the long run.

IV Content

A 1 Overview of Managerial Finance

- 1.1 Forms of business organization
- 1.2 Goal of the firm
- 1.3 Agency relationships

2 Financial Markets, Institutions and Interest rates

- 2.1 Importance of financial markets
- 2.2 Types of financial markets
- 2.3 Financial Institutions
- 2.4 Basic types of stock markets
- 2.5 Term structure of interest rates and determinants of interest

B BASIC CONCEPTS OF MANAGERIAL FINANCE

1 Time Value of Money

- 1.1 Present value, future value of a lump sum
- 1.2 Present value and future value of an ordinary annuity
- 1.3 Present value and future value of an annuity due
- 1.4 Solving for the interest rate and time period
- 1.5 Determination of the annual percentage rate (APR) and effective annual rate (EAR)

2 Return and Risk Analysis

- 2.1 Calculation of the average rate of return, expected rate of return, holding period return
- 2.2 Calculation of portfolio return and determination of the characteristic line
- 2.3 Systematic and unsystematic risk
- 2.4 Measurement of total risk
 - 2.4.1 Variance and standard deviation
 - 2.4.2 Coefficient of variation
- 2.5 Determination market risk
 - 2.5.1 Beta and the security market line
 - 2.5.2 Portfolio beta
- 2.6 Investor's required rate of return and the Capital Asset Pricing Model (CAPM)

3 Valuation of Financial Assets - Bonds

- 3.1 Determination of bond price
- 3.2 Calculation of the yield to maturity (YTM) and yield to call (YTC)
- 3.3 Determination of the capital gain yield or loss
- 3.4 Characteristics of a bond and various types of bonds

4 Valuation of Stocks (Dividend model)

- 4.1 Determination of stock price under the models of: zero growth, constant growth, non-constant growth
- 4.2 Determination of the dividend yield and expected rate of return,
- 4.3 Determination of stock market equilibrium
- 4.4 Discussion of the Efficient Market hypothesis

C CAPITAL BUDGETING

1 Capital Budgeting Classifications

- 1.1 Replacement and expansion decisions
- 1.2 Dependent and independent projects
- 1.3 Mutually exclusive projects
- 1.4 Definition and role of capital budgeting

2 Capital Budgeting Evaluation and Decision Criteria

- 2.1 Payback and discounted payback period
- 2.2 Net Present value (NPV)
- 2.3 Internal rate of return (IRR)
- 2.4 Profitability index (PI)
- 2.5 Modified internal rate of return (MIRR)
- 2.6 Net present value and profitability index
- 2.7 Net present value versus internal rate of return
- 2.8 Net present value and investor's required rate of return
- 2.9 Internal rate of return versus modified internal rate of return

D THE COST OF CAPITAL

1 Capital Components

- 1.1 After-tax cost of debt, and bond price
- 1.2 Stock price and flotation cost
- 1.3 Models for cost determination of retained earnings
 - 1.3.1 Capital Asset Pricing Model
 - 1.3.2 Discounted Cash flow Approach
 - 1.3.3 Bond-yield-plus-risk premium approach
- 1.4 The weighted average cost of capital (WACC)
- 1.5 The marginal cost of capital (MCC)
- 1.6 Weighted average cost of capital and investor's required rate of return

E FORECASTING, PLANNING and CONTROL

1 Analysis of Financial Statements

- 1.1 Balance sheet
 - 1.1.1 Working capital
 - 1.1.2 Net operating working capital
 - 1.1.3 Total operating working capital
 - 1.1.4 Operating Liabilities
- 1.2 Income Statement
 - 1.2.1 EBIT
 - 1.2.2 EBITDA
 - 1.2.3 NOPAT
 - 1.2.4 Net income
- 1.3 Statement of Retained earnings
- 1.4 Cash flow
 - 1.4.1 Net cash flow
 - 1.4.2 Free cash flow

2 Ratio Analysis

- 2.1 Liquidity ratios
- 2.2 Asset management ratios
- 2.3 Debt management ratios
- 2.4 Profitability ratios
- 2.5 Market value ratios
- 2.6 Strength and weakness of ratio analysis

3 Financial Planning

- 3.1 The role of financial planning
- 3.2 Pro forma balance sheet and pro-forma financial statements
- 3.3 Determination of additional funds (ADF)
- 3.4 Operating and breakeven analysis
- 3.5 Operating and financial leverage

V ACTIVITIES

- A Discussion of assigned problem sets
- B Presentation of one case study
- C Readings of articles in financial journals

VI EVALUATION

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|---|--------------|-----|
| A | Exams | 60% |
| B | Case Studies | 30% |
| C | Readings | 10% |

VII SPECIAL NOTES

A. Special Accommodations

Students who require special accommodations must request these services at the beginning of the course or as soon as they notice that they need help. Students can access this service with Professor Jose Rodriguez, Coordinator of Students With Special Needs at the Guidance and Counseling Office on the first floor at Metro's Student Center.

B. Plagiarism

Plagiarism, dishonesty, fraud and any other type of manipulation or inappropriate behavior related with academic performance are unacceptable in our institution. Disciplinary actions will be taken on students found guilty of such practice as established in Chapter V, article 1, Section B.2 of the Student's Rules and Regulations handbook.

<http://metro.inter.edu/servios/documentos/reglamentosestudiantes2006.pdf>

Inter American University has very strict regulations regarding plagiarism (using the ideas or words of others without giving proper credit), so it is important that you specifically read Chapter 5, article 1, Section B.2c of the Student' Rules and Regulations Handbook. This section clearly explains what plagiarism is. In addition, it explains the types of sanctions students are exposed to when they commit it.

C. Use of Electronic Devices

Cellular (mobile) telephones and any other electronic device that could interrupt the teaching-learning process or disrupt a milieu for academic excellence will be deactivated. Critical situations will be dealt with in an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited

VIII EDUCATIONAL RESOURCES

A Textbook:

Scott, Keown, Petty, Martin, (2007), Financial Management.10th edition Pearson and Prentice Hall.

B Reference book:

Scott Bessly, Eugene F Brigham, Essentials of Managerial Finance, 13th edition, 2005, Thompson/ South-Western. ISBN 032423278-0

IX BIBLIOGRAPHY

A Journals

1. Business Week,
2. Fortune 500

B ELECTRONIC RESOURCES

<http://online.wsj.com>;
<http://www.valueline.com>;
<http://www.reuters.com>

Revised: August 2009
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