

**INTER-AMERICAN UNIVERSITY OF PUERTO RICO  
METROPOLITAN CAMPUS  
ECONOMICS AND ADMINISTRATIVE SCIENCES FACULTY  
MBA PROGRAM**

**SYLLABUS**

**I. GENERAL INFORMATION**

Course Title	: Managerial Finance II
Code & Number	: BADM 6190
Credits	: 3 credits
Academic Term	: See the calendar
Professor	: Ahmad H. Juma'h
Office Hours	: Through Black-Board
Office Contact Phone	: 787-250-1912 Ext. 2493
E-mail Address	: Through Blackboard mail or <a href="mailto:jahmad@metro.inter.edu">jahmad@metro.inter.edu</a>

**II. DESCRIPTION**

Analysis of the company's financial administration. Emphasis on valuation concepts and approaches, factors and variables on decision making of investments in assets and capital structure and dividend policy. Study of portfolio investment theory and valuation of capital asset models.

Prerequisite: Managerial Finance I (BADM 5190)

**III. OBJECTIVES**

It is expected at the end of the course, students can:

1. Discuss the basic concepts of financial economics.
  - 1.1 Present the normative and positive financial economic theories.
  - 1.2 Discuss the relationship between risk and return.
  - 1.3 Apply financial basic concepts to financial decision making.
2. Compare between the different corporate valuation models.
  - 2.1 Analyze the assumption and limitation of Capital Asset Pricing Model (CAPM)
  - 2.2 Determine the factor influencing portfolio selection.
  - 2.3 Compare between Arbitrage Pricing theory and CAPM.
  - 2.4 Evaluate the behavioral issues affecting portfolio selection and management.
3. Evaluate the application of cost of capital and capital budgeting.
  - 3.1 Explain how cost of capital affect financial decision making.
  - 3.2 Describe several problems related to estimating cost of capital.
  - 3.3 Compare between different capital budgeting methods.
  - 3.4 Describe the assumptions and limitations of capital budgeting methods.
4. Evaluate capital structure and dividends payouts.
  - 4.1 Compare between various theories in evaluating capital structure.
  - 4.2 Analyze the qualitative factors influencing capital structure.
  - 4.3 Describe the actual trends in capital structure.
  - 4.4 Describe different forms of dividends payout.
  - 4.5 Evaluate the factors influencing cash dividends.
5. Evaluate a practical research in managerial finance.

- 5.1 Identify at least two companies to conduct a research.
- 5.2 Consider the applicability of the learned fundamentals and concepts to the identified companies.
- 5.3 Compare the financial position of the selected companies to an industry index.
- 5.4 Evaluate the overall financial position of the selected companies.

#### IV. CONTENT

1. Introduction.
  - a. The basic of financial economic theories.
  - b. The basic concepts of financial management.
  - c. The relation between risk and return.
2. Valuation Models and Theory.
  - a. Overview
  - b. Capital Asset Pricing Model.
  - c. Portfolio theory.
3. Projects Valuations.
  - a. Overview
  - b. The Cost of Capital.
  - c. Capital Budgeting.
4. Strategic Financing Decisions.
  - a. Overview
  - b. Capital Structure Decisions.
  - c. Distribution to Shareholders: Dividends.
5. Practical Research on Managerial Finance.
  - a. Identification of a research topic.
  - b. Evaluation of the applied research method.
  - c. Analyzing the literature gap with respect to the selected research topic.
  - d. Evaluation of the research limitations and implications.

#### V. ACTIVITIES

- A. Students should read the material before the discussion in class.
- B. Groups of 3 to 5 students may be formulated to present and discuss some topics in class (through "Black-Board").
- C. Students are required to search for some topics in the internet to select their literature review or research project that is part of the evaluation.
- D. Students are required to solve some cases, quizzes, short essays that might require the use of "Microsoft Excel".

#### VI. EVALUATION PROCESS

Evaluation	Points	%	Topics
MID TERM EXAM	100	25%	Fundamentals of Managerial Finance and Securities Valuation
FINAL EXAM	100	25%	Project Valuation and Strategic Financing Decisions
RESEARCH PROJECT	100	30%	Identifying two companies and applying the concepts learned in the course to the selected companies.

**ASSIGNMENTS**                      **100**                      **20%**                      **Quizzes, Cases, and Short Essays**

**VII. SPECIAL NOTES**  
**MAKE-UP**

No make-up exams are allowed. Any inconvenience or any condition that will not enable a student to take one of the required evaluations should be discussed with the instructor before the date of the evaluation.

**A. Special Accommodations**

Students who require special accommodations must request these services at the beginning of the course 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/servicios/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 favorable 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

Financial Management: Theory and Practice, 12<sup>th</sup> ed., Eugene F. Brigham & Michael C. Ehrhardt, Thompson/ South Western 2008.

Blackboard: Mail, Chatting, group discussion, etc.

Exercises and problems with respect to the course content require the use of “Excel”.

“Yahoo. Financial”, SEC data base, companies WebPages will be used to collect data.

## IX. BIBLIOGRAPHY

Frank K Reilly y K. C. Brown Investments Analysis and Portfolio Management, 8<sup>th</sup> Edition Van Horne, James C., Financial Management & Policy, 12th Ed., Prentice Hall 2001.

Meggison, William L, Scott B. Smart, Introduction to Corporate Finance, Thomson/ South Western 2006.

Ross, Stephen A., R.W. Westerfield, J. F. Jaffe, B.D. Jordan Corporate Finance – Corporate Principles and Applications McGraw-Hill/Irwin 2007.

Barclay, Michael J. and Clifford W. Smith, “The Determinant of Corporate Leverage and Dividend Policies”, *Journal of Applied Corporate Finance*, 7, (Winter 1995).

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Fama, Eugene F., “Market Efficiency, Long-Term Returns, and Behavioral Finance”, *Journal of Financial Economics*, 49, (September 1998), pp 283-306.

Miller, Merton H., “Debt and Taxes”, *Journal of Finance*, 32, (May 1977), pp 261-278.

Modigliani, Franco and M.H. Miller, “The Cost of Capital, Corporation Finance and the Theory of Investment”, *American Economic Review*, 48, (June 1958).

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Fama, Eugene and K R. French, “The Capital Asset Pricing Model Theory and Evidence”, *The Journal of Economic Perspectives*, 18 No. 3, (Summer 2004).

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Rev. 8/2009