

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

I GENERAL INFORMATION

Title	:	Managerial Finance II
Code	:	BADM 6190
Credits	:	3
Academic Term	:	
Professor	:	Dr. Felix Cue
Office Phone	:	
E-mail	:	

II DESCRIPTION

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

III OBJECTIVES:

It is expected that at the course's ending the student can:

1. Formulate and analyze the factors and variables that define the conceptual frame of the firm's financial decision making.
2. Contrast the advantages and disadvantages implied on the different methods for evaluating the investment in capital assets.
3. Explain the theoretical and practical aspects that must be considered on the firm's cost of capital and its capital structure.
4. Specify theoretical and practical aspects required on the formulation and application of the firm's dividends policy.
5. Examine the risk analysis on the investment's evaluation in capital assets, of the investment specifically, and its impact on the firm and relationship with the domestic and world markets.

IV CONTENTS

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- A Introduction: Valuation
1. Risk and Return
 2. Portfolio Theory

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3. Asset Pricing Model

Chapters 6 and 7

B Capital Projects and their Valuation

1. The Cost of Capital
2. The Basics of Capital Budgeting
3. Cash Flow Estimation and Risk Analysis
4. Options
Chapters 10, 11, 12 and 13

C Firm's Capital Structure and Dividend's Policy

1. Firm's Capital Structure
2. Dividend's Policy
Chapters 16, 17, and 18

V COURSE EVALUATION

The student will take three exams, prepare a term paper about an analysis of a stock quoted in the stock market and hand over an assignment for each exam

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|---|---|---------------------|
| A First Partial Exam | : | Chapters 6 and 7 |
| B Second Partial Exam | : | “ 10, 11, 12 and 13 |
| C Final Exam | : | “ 16, 17, and 18 |
| D Term Paper a Returns and Risk Analysis of a firm's stock quoted in the sock market and its comparison with their equivalents in the market represented by the 500 S&P Index | | |
| E First Partial Exam | : | 25 % |
| Second Partial Exam | : | 25 % |
| Final Exam | : | 25 % |
| Term Paper | : | 25 % |

VI SPECIAL NOTES

- 1) Supporting Services or Special needs
Students requiring additional services or special assistance must request these at the beginning of the course or as soon they learn that they need them, through the appropriate register in the Oficina del Consejero Profesional, located at the Program de Orientación Universitaria.
- 2) Honesty, Fraud, and Plagiarism (General Student Regulation, Chapter V)
The lack of honesty, fraud, plagiarism and any other inadequate behavior in relation to academic work constitute major infractions sanctioned by General Student Regulations. Major infractions, according to General Regulation Students, may result in suspension from the

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University for a period of time greater than one year or the permanent expulsion from the University, among others sanctions.

3) 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.

VII EDUCATIONAL RESOURCES:

Text: Financial Management: Theory and Practice. 12th ed. Eugene F. Brigham and Michael C. Ehrhardt, Thomson/South Western, 2008.

Audiovisual Resources: provided by the instructor

Supplementary Readings: Frank K Reilly and K. C. Brown, Investment Analysis and Portfolio Management 8th, Thomson-South Western 2006
James C. Van Horne, Financial Management and Policy, 12th ed. Prentice Hall, 2001.

William L Megginson and Scott B. Smart, Introduction to Corporate Finance, Thomson-South Western, 2006.

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

Audiovisual resources: provided by the professor

Electronic Resources:

www.thomsononedu.com <http://www.textchoice2.com>

<http://www.investor.reuters.com>

Thomson NOW for Financial Management or

www.thomsonedu.com/thomsonnow.

VIII BIBLIOGRAPHY

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

Berger, Philip G. and Eli Ofex, "Diversification Effect on Firm Value". *Journal of Financial Economics*, 37 (January 1995), pp39-65.

Bexter, Brian L., "The Administrative Costs of Debt Restructurings", *Financial Management*, 26 (Winter 1997).

Darrell, Duffie, "The Failure Mechanics of Dealer Banks", *The Journal Economic Perspectives*, 24, No. 1, Winter 2010.

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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.

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

Longstaff, Francis A. "Portfolio Claustrophobia: Asset Pricing in markets with Illiquid Assets" *The American Economic Review*, 99, No. 4, September 2009.

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

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

Myers, Stewart C., "Still Searching for Optimal Capital Structure", *Journal of Applied Corporate Finance*, 6 (Spring 1993), pp 4-14.

Perold, André F., "The Capital Asset Pricing Model", *The Journal of Economic Perspectives*, No. 3 (Summer 2004).

Pyndick, Robert S., "Investments of Uncertain Cost", *Journal of Financial Economics*, 34 (August 1993).

Renneboog, Luc, ed. *Advances in Corporate Finance and Asset Pricing*, Amsterdam and San Diego: Elsevier, 2006. ISBN 0-444-52723-0.

Roll, Richard and S.A. Ross, "On the Cross-Sectional Relation between Expected Return and Betas", 49 (March 1994), pp 101-221.

Woolridge J. Randall "Do Stock Prices Reflect Fundamental Values", *Journal of Applied Corporate Finance*, 8 (Spring 1995), pp 64-69.

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