

INTER-AMERICAN UNIVERSITY OF PUERTO RICO
FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION

SYLLABUS

I. GENERAL INFORMATION

THE COURSE TITLE: MANAGERIAL FINANCE I

REFERENCE NUMBER: BADM 5190

CREDITS: 3

ACADEMIC TERM: JUNE 2010

PROFESSOR: AHMAD H. JUMA'H, PH D, CPA

OFFICE HOURS: WEDNESDAY 7:00 - 8:00 PM

TELEPHONE NUMBER: 1-787-250-1912, X 2495

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II. Description: Review of the fundamental aspects of financial decision-making in its theoretical, technical and practical dimensions. Study of investment decision-making in working capital and short and long term financing.

III. OBJECTIVES

- 1) Discuss the main concepts of managerial finance.
 - 1.1 Determine the financial objective of an organization.
 - 1.2 Determine the importance of corporations.
 - 1.3 Analyze the role of financial institutions and financial markets.
 - 1.4 Analyze the importance of investing and financing decision.
 - 1.5 Explain the importance of mathematics in managerial finance.
 - 1.6 Apply mathematical tools to evaluate the time value of money.
 - 1.7 Analyze the relation between risk and return.
- 2) Analyze the stock and bonds valuations.
 - 2.1 Explain the importance of stock valuation for all stakeholders.
 - 2.2 Apply the main valuation methods used to stock valuation.
 - 2.3 Apply stock valuation to a specific quoted company.
 - 2.4 Explain the importance of bonds valuation for all stakeholders.
 - 2.5 Apply bond valuation to a specific quoted company.
 - 2.6 Evaluate the limitation of stock and bond valuations methods.
 - 2.7 Evaluate the external effects to valuation methods.
- 3) Analyze the use of financial statements for financial decision making.
 - 3.1 Discuss the importance of financial statements in financial decision making.
 - 3.2 Discuss the main methods of financial statements analysis
 - 3.3 Analyze the quantitative and qualitative factors influencing financial statements analysis.
 - 3.4 Apply financial statement analysis to a specific company.
 - 3.5 Explain the problems and limitations of financial statements analysis.
 - 3.6 Evaluate the effect of agency theory on financial statements analysis.
- 4) Evaluate different financing decision making.
 - 4.1 Discuss the importance of working capital in financing decision making.
 - 4.2 Present different method of finance capital management.
 - 4.3 Explain the leasing as an alternative for capital financing.
 - 4.4 Explain preferred stock alternative as capital financing.
 - 4.5 Explain the implications of warrants and convertibles in capital financing.

IV. THE COURSE CONTENT

- A. Introduction to managerial finance
 - a. Financial objective of a corporation
 - 1. Profit maximization.
 - 2. Share price maximization.
 - 3. Limited liability of owners.
 - 4. The importance of corporation for all stakeholders.
 - b. Financial institutions and financial markets
 - 1. The importance of financial institutions for financial activities.
 - 2. The importance of financial markets for investing activities.
 - c. Time of money
 - 1. Present value
 - 2. Future value
 - 3. Annuity
 - d. Mathematical use in managerial finance
 - 1. Mathematical application in financial decision making
 - 2. Examples of financial decision making
 - 3. Limitations of the use of mathematical finance in decision making
- B. Valuation: Stock and Bonds
 - a. Stock valuation;
 - 1. Characteristics of common stocks
 - 2. Basic concepts in stock valuation
 - 3. Limitations of the stock valuation
 - b. Bond valuation
 - 1. Characteristics and types of bonds
 - 2. Basic concepts of bond valuation
 - 3. Limitation of the bond valuation
- C. Financial statements: concepts, uses and analysis
 - a. Basic financial statements
 - 1. Income statement
 - 2. Balance sheet
 - 3. Cash flow
 - b. Uses of financial statements
 - 1. Internal uses
 - 2. External uses
 - 3. Behavior problems
 - c. Financial statement analysis
 - 1. Common size financial statements
 - 2. Ratio analysis
 - 3. Limitations of financial statements analysis
- D. Hybrid financing and working capital management
 - a. Introduction to hybrid financing
 - 1. Preferred stock
 - 2. Warrants
 - 3. Convertible securities
 - b. Working capital management
 - 1. Cash management
 - 2. Cash budgeting
 - 3. Short term financing

V. ACTIVITIES

The applied nature of much of the accounting information and management in MBA Program demands a range of teaching and learning methods. These methods include direct contact with the instructor (using Blackboard), discussion of specific issues with other students, learning, reading, individual and group projects, accessing data using the internet, computer tools and programs (Excel is used most frequently), analysis of companies data. Feedback offered through Blackboard system.

- A. Students should read the material from the course content available in Blackboard and the recommended text(s). Any question, comparison or clarification of a topic or an issue should be delivered immediately to the instructor through Blackboard. Avoid duplications of mails. Your instructor will contact you as soon as possible (normally before three days).
- B. Groups of 3 to 5 students can be formulated to present and discuss some topics in class (through “Blackboard”).
- C. Students are required to search for some topics, data, cases, examples in the internet to complement the class content.
- D. Students are required to solve some cases, quizzes, short essays that might require the use of “Microsoft Excel”.

How to use group discussion for the assignments: Students can form groups to discuss their selection of companies, data collection, data calculation, data analysis and preparing a report. Students can share the source of data, validating data, helping each other in how to calculate some financial indicators, how to prepare tables, how to use Excel, and how to prepare final report. Each student should write his own report’s parts and cannot use the same paragraphs used by other students. I consider this a **PLAGIARISM**.

COMMUNICATION

To avoid problems in accessing the course, you have to be sure that you have good access. Remember the professor can answer issues with respect the material of the course and cannot help you if you have problem in technology. Communication and technology problems should be notified to Information Technology Center (CIT). You have to access the course at least two times per week for a trimester course or on a daily basis for a summer course. If you fail to do this, the professor might withdraw you from the course. The instructor may update the course content giving new exercises, quizzes or modifying dates and contents of the course. You have to be aware about all messages and new material posted in the system.

VI. EVALUATION PROCESS

Evaluation	Description	Points	Percentage of total evaluation
Part I: All evaluations related to parts 1 and 2 of the course content.			
Short evaluations	Quizzes	20	10%
	Discussion 1	10	5%
	Written assignment 1	10	5%
Exam I	Sections A & B of Course Content	60	30%
Total Part I		100	50%
Part II: All evaluations related to parts 3 and 4 of the Course Content.			
Short evaluations	Quizzes	20	10%
	Discussion 2	10	5%
	Written assignment 2	10	5%
Final Exam	Sections C & D of Course Content	60	30%
Total Part II		100	50%

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. You might have two opportunities in some of the evaluations (quizzes and exams), if you decide to take the two opportunities, the average will be considered and under no circumstances the highest grade will be

considered.

It is highly recommended to take the exam for one attempt by accessing the exam on the first day (do not leave the evaluation for the last hour).

Problems with the evaluations (e.g. dates, material etc.) should be communicated to your professor before the date of the evaluation. Please do not send messages after the exam saying you couldn't take it for any reason.

VII. SPECIAL NOTES

AUXILIARY SERVICES OR SPECIAL NEEDS SERVICES

Students that require special auxiliary services or special assistance must visit the office of Mr. José Rodríguez, at the University Orientation Program located at the first floor of Harris Building, at the beginning of the course or as soon as the knowledge for the need of such services is acquired.

HONESTY, FRAUD, AND PLAGIARISM STUDENT GENERAL REGULATION, CHAPTER 5

The lack of honesty, fraud, plagiarism and any other inappropriate behavior in relation to the academic work constitute major infringement sanctioned under the Student General Regulation. Major infractions, as provided by the regulation under student infringements can have as a result the suspension of the University for a defined period of time greater than a year or permanent expulsion from the University, among other sanctions.

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.

FEES PAYMENTS

As established in the General Student Catalog, student who do not comply with the financial responsibility, has no right to continue receiving the University services until the balance is paid under federal and Puerto Rico's regulations. Therefore, be sure that you have paid all your fees before the final examination. Also, you can contact the University (third floor) or at 787-250-1912 Ext. 2284, or 3136 to solve your situation and to obtain an authorization to attend the final examination.

VIII. EDUCATIONAL RESOURCES

Financial Management: Theory and Practice, 12th 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, 8th Edition
Van Horne, James C., Financial Management & Policy, 12th Ed., Prentice Hall 2001.

Eugene F. Briham, Scott Besley Essentials of Managerial Finance, 14th ed. Thomson/South Western, 2008.

Megginson, 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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- Bexter, Brian L., "The Administrative Costs of Debt Restructurings", *Financial Management*, 26, (Winter 1997).
- 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.
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- Pyndick, Robert S., "Investments of Uncertain Cost", *Journal of Financial Economics*, 34, (August 1993).
- 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.
- Fama, Eugene and K R. French, "The Capital Asset Pricing Model Theory and Evidence", *The Journal of Economic Perspectives*, 18 No. 3, (Summer 2004).
- Perold, André F., "The capital Asset Pricing Model", *The Journal of Economic Perspectives*, No. 3, (Summer 2004).
- Renneboog, Luc, ed. *Advances in Corporate Finance and Asset Pricing*. Amsterdam and San Diego: Elsevier, 2006. ISBN 0-444-52723-0.

Managerial Finance I (BADM 5190)

Course outline

Text: *Financial Management*, Brigham & Ehrhardt, 12^{ed.}, 2007, ISBN: 13:978-0-324-64908-6

Hours	Topic	Chapter	Suggested Problems
4	Finance Theory	1	1.1 to 1.8
5	The Value of money	2	2.1 to 1.12
5	Bonds	5	5.1 to 5.8
5	Stocks	8	8.1 to 8.10
3	Exam I	1, 2, 5, 8	
5	Financial statements analysis	3,4	3.1 to 3.8 and 4.1 to 4.8
5	Forecasting financial statements	14	14.1 to 14.10
5	Hybrid financing	21	21.1 to 21.6
5	Working capital	22	22.1 to 22.8
3	Exam II	3, 4, 14, 21,22	

Late mailed works, assignments are not accepted. You have to verify the instructions of each quiz, exam, and assignment. Specifications of each item may be different. If a quiz or exam is offered to be answered twice, the average of the two grades will be considered. Therefore, try to make your quiz from the first time and do not leave it for the last hour.