

<b>FIN Managerial Finance 2014</b>	<b>Instructor:</b> <b>Sreedhar T. Bharath</b>
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### **Course Objectives**

The objective of this course is to provide students with an understanding of the basic concepts of finance. You should gain an appreciation of the role of financial markets and institutions in our economy as well as an introduction to the responsibilities, concerns, and methods of analysis employed by corporate financial managers. If you are interested in general management, then this course will provide you with the skills that are vital to the positions that you will seek as well as a base level of financial sophistication required of any MBA. If you are pursuing a concentration in finance, you should view this as a first course in corporate finance and as an introduction to investments, financial markets, and institutions. Elective courses in the finance curriculum use the ideas introduced in this course as the starting point for more detailed discussions of specialized areas in finance.

The key areas covered will be:

- Time value of money and techniques to value various cash flows, including bonds and stocks.
- Capital budgeting rules such as net present value and internal rate of return. Template for estimation cash flows and the notion of incremental cash flow. Use of these concepts in corporate decision making.
- Issues of risk, return, and efficient pricing in financial markets and modern portfolio theory
- Consideration of the firm's capital structure and financing alternatives.

The material will be covered with the following principles in mind:

- To give you the capacity to understand the theory and apply, in real world situations, the techniques that have been developed in finance.
  - ❖ *Motto for class: If it cannot be applied, who cares?*
- To give you the big picture of finance so that you can understand how things fit together.
  - ❖ *Motto for class: You might forget the details later on, but don't miss the story.*

## **Prerequisites**

Prerequisites for this course include introductory courses in accounting, microeconomics and statistics. I assume that you know how to use Excel 2010 for successfully modeling spreadsheet applications.

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## **Spreadsheets**

You will be expected to use personal computers (Excel 2010) extensively for homework assignments. For the final exam, you can use a computer. If you are going to use excel, it is your responsibility to know spreadsheet modeling using Excel 2010. Although financial calculators are convenient devices to understand the concepts and use them in many practical situations, they are limited both in scope and number-crunching ability. So I urge you to use spreadsheets extensively since they are very useful tools in conducting analyses in any (or every) business application. The class notes and solutions to problems will have many examples using spreadsheets.

## **Text**

**Ross Wester\_eld Jaffe Kakani Corporate Finance. Although not required, reading of the Economic Times, and other popular business magazines will enrich your class experience greatly.**

**The problems you tackle appear HARDER than what is presented in class.** It will be a frustrating experience at first when you want to apply the material (which appears straightforward when we discuss it in class) to tackle problem sets. However by struggling with the problems you will find that the learning is deeper and you are able to get a firmer grasp of the concepts. The problem sets are critical for successfully learning the material. The volume of the material and the pace at which we will cover them in class is such that it is very easy to feel overwhelmed and lost if you are not regular. I have the following specific suggestions to make the problem solving experience easier and more enjoyable:

- ❖ Familiarize yourself with the mechanics of excel **before** the first session. This single step will save you a lot of difficulties in the course.
- ❖ Most of the difficulties associated with the first half of the course stems from being unfamiliar with accounting. Again, most of the difficulties associated with the second half of the course stems from being unfamiliar with statistics. This bogs you down in learning the finance material. Read the primers on accounting and statistics to refresh your understanding of these concepts.

- ❖ Go through the assigned reading **before** each class so that you will be better prepared to discuss the concepts I will be covering in class.
- ❖ The first 4 sessions are critical to succeed in this course. If you lag behind in this phase, you will always be playing catch up in the rest of the course. If you feel you need help, please let me know early.
- ❖ The difficulty in problem solving can be divided into 2 parts: a) difficulty in structuring the problem and b) difficulty with the mechanics of solving the problem. You can avoid (b) largely by following the first two bullet points above. As for (a), making an attempt to work through the examples in class notes before coming to class will help. This way, your ability to absorb problem solving skills will be much higher.
- ❖ **Do not hesitate to seek help EARLY if you are having problems in the class.**

### **Grading Policy**

5 quizzes (8% each) and 1 final exam (60%)

### **Honor Code**

Throughout this course, you are expected to adhere to the Honor Policy established by MYRA School of Business.

### **Getting to know you**

In order to know you better I would appreciate your keeping the name cards in every class session. It will be to your advantage if I can associate your face with your name when assigning grades for those students on the edge of grade distributions.

### **Rules of Engagement**

- ❖ Classes start on actual time. I expect you to be on time for the class and stay until the end. If you have to leave, do so during the break between sessions. If you have to come in late, do so during the break between sessions. No exceptions.
- ❖ Display your name card in class throughout the term.
- ❖ All exams are strictly individual work. Study can be group work
- ❖ I will be the grader (along with my grading assistants), and I do make mistakes. If I mess up, bring it to my attention and I will fix it.
- ❖ Rules on Participation - All participation is welcome.

### **Course Outline**

The following table summarizes the topics covered in each session, the required readings for each session, review sessions and the date for the final and midterm. To understand the theoretical concepts in this course and to generate useful discussions in the class, it is

important that you go through the assigned reading prior to the beginning of each class.

<b>Sl. No.</b>	<b>Day / Date</b>	<b>Topics</b>	<b>RMJK Chapter</b>	<b>Other</b>
1.	Monday Dec 15	Introduction	1, 4	
		Time Value of Money		
2.	Tuesday Dec 16	Capital Budgeting: Competing Criteria	5, 6	
		Capital Budgeting Under Certainty		
3.	Wednesday Dec 17	Capital Budgeting Under Certainty	6	Read Accounting Primer
		The Practice of Capital Budgeting		
4.	Wednesday Dec 17	Security Valuation	8, 9	
		Bonds and Stocks		
5.	Thursday Dec 18	Security Valuation	10, 11	Read Statistics Primer
		Risk and Return		
6.	Thursday Dec 18	Risk & Return		
7.	Friday Dec 19	CAPM	13 14	
		Market Efficiency		
8.	Saturday Dec 20	Capital Structure	16	
		Capital Structure		
		Final Review		
9.	Monday Dec 22	<b>Final exam 4 hours</b>		
<i>Comprehensive, covers all books and chapters, class discussions and assignments. Open Book, Open Notes, Excel Allowed</i>				

**WELCOME TO THE EXCITING WORLD OF FINANCE!**

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