

**University of Florida
Warrington College of Business**

**Finance 4414
Financial Management**

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Instructor

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Office Hours: Tuesdays and Thursdays 10–11am. I am generally around during the semester, and if my schedule permits, I am happy to meet with students outside of my office hours. If you need to set up a more formal meeting, please e-mail me to set up an appointment.

Course Objectives and Scope

As the capstone course for undergraduate finance majors, Financial Management aims to provide students with a deeper understanding of corporate finance theory and practice. This course involves lectures complemented by class discussion. These classes allow the students to fully connect with the material and practice using the techniques taught. The course includes case studies to further reinforce the learning objectives and ensure students gain a perspective relevant to their professional requirements. The course emphasizes both intuition and application and delivers various valuation techniques.

After completing this course, students will be able to:

- Use free cash flows and multiples for equity valuation.
- Understand option contracts and basic option valuation methods.
- Understand why traditional NPV rules are deficient and evaluate real options examples.
- Evaluate a firm's cost of capital and target capital structure.
- Discuss different approaches firms use to raise capital.
- Understand debt financing and financial crises.
- Discuss payout policy.

Required Material

- A *course packet*, including cases and articles is available online at <http://cb.hbsp.harvard.edu/cbmp/access/72950683>
- *Supplemental readings* will be handed out in class or posted on the e-learning website.
- *Class notes (PowerPoint slides)* are downloadable from the course e-learning website.
- A *financial calculator* will be necessary for exams. I do not require or recommend a specific calculator – any model is acceptable as long as it has basic time value of money functions and cash-flow functions such as NPV and IRR.

Students should make every effort to read the assigned material before coming to class. This includes material from the text, assigned cases and articles. We will discuss articles that are relevant to the course and new developments as they occur in the corporate and financial communities.

Textbook (optional)

Fundamentals of Corporate Finance, 3rd or later edition, by Berk, DeMarzo, and Harford, Pearson.

These additional materials are not required, but may be useful to some students:

- *Corporate Finance*, 2nd or later edition, by Berk and DeMarzo, Pearson.
- *Fundamentals of Corporate Finance*, 10th or later edition, by Ross, Westerfield, and Jordan, McGraw-Hill.
- *The Wall Street Journal* and *The Financial Times* are fundamental readings for any business school student. Class discussion will often reference news items. *The Wall Street Journal Guide to Understanding Money and Investing* by Morris and Siegel can be useful for those who are not as familiar with the language of finance.
- *How to Read a Financial Report* by J. Tracy is a helpful primer for students who want to revise/ enhance their knowledge and understanding of accounting.

Class Attendance and Participation

I expect that you will come on time to class and stay for the full 90-minute lecture. However, I do understand that there are medical and other special circumstances that may cause you to miss all or part of a class. If you must arrive late, leave early, or miss a class, you should send me an e-mail prior to the start of class with an explanation. This will allow us to make arrangements that minimize disruptions to the class. Further, I view class attendance as a prerequisite to receiving help outside of class time. In other words, if you decide not to attend class (and do not have a valid reason), then you should not expect to receive extensive help outside of class from me or the teaching assistant.

Students are expected to be prepared for every class and participate in class discussions. Students should have thoroughly prepared any assigned case, reviewed previous lecture notes, and be willing to answer and ask questions during class. Sharing your expertise when relevant is good participation, as is asking questions that help other class members. Class participation can potentially have a big impact on your grade as I will use it to determine the final letter grade of students who are close to a grade cutoff.

Course Requirements

Cases

Throughout the term, we will cover four cases. These cases, which can be found in your course pack (or will be handed out), were written by authors at Harvard Business School. In working through the cases, you will be asked to apply many of the concepts discussed during the course.

Early in the term, I will ask you to form among yourselves a team consisting of four to five students. There will be eight groups in total. Each group is required to submit a case write-up for each of these cases, and all class members are required to attend classes on the days that these cases are presented. Each case write-up should include answers to the questions as well as supporting data exhibits, and is due at the beginning of class the day the case is presented. A handout with the “Assignment” as well as additional materials (such as excel spreadsheets) will be available on the course webpage at least one week before the case write-ups are due.

On days when a case is covered, **two** of the eight groups will be **randomly** selected to present the same case in depth. Since there are four cases, each group will have one opportunity to present a case in class during the semester. Each presenting group will play the role of a consultancy brought in to analyze a company’s business. The audience will play the role of the firm’s senior managers. The audience is expected to ask questions and interject their own opinions. At the end of each presentation, the audience will also be asked to evaluate each presenter based on content and style. This feedback will be shared anonymously with each presenting group.

Your grade for case write-ups can also incorporate a peer evaluation component. At the end of class, each group member will be given an opportunity to evaluate the other group members. Since I cannot directly observe the interactions within your group, the peer evaluation component is intended to reward those students who are good team members.

Problem Set

There will be only one problem set, which you will do individually. As with the case assignments, problem sets should be submitted through the course webpage before the start of class on the due date, and a hard copy should be turned in class. Late assignments will not be accepted.

Examinations

Over the course of the term, we will have two in-class examinations. Most of you are graduating seniors and during that last week on campus you have other obligations other than studying for a final exam. Therefore, there will not be a comprehensive final exam during the exam-week period.

These two exams will comprise a series of short answer questions and multiple choice questions. Both exams are closed-book ones, but you are allowed to bring a calculator and a one-page (front and back) “cheat sheet,” on which you are free to write any information that you feel is helpful. However, you are not permitted to type or photocopy anything onto the cheat sheet, and you must turn your cheat sheet in after the exam.

Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation.

Grading

Your final course grade will be determined as follows

Class attendance and participation	10
Case reports (group)	24 (4 case reports, 6 each)
Case presentations	10 (the better one 6 + the other 4)
Problem set	6
First examination	25
Second examination	25
Total	100

Tentative Grade Allocation

Score	Grade
Total \geq 92	A
88 \leq Total $<$ 92	A-
84 \leq Total $<$ 88	B+
80 \leq Total $<$ 84	B
75 \leq Total $<$ 80	B-
70 \leq Total $<$ 75	C+
65 \leq Total $<$ 70	C
Total $<$ 65	C- ~ F

The following is from the University of Florida *Code of Student Conduct*:

The academic community of students and faculty at the University of Florida strives to develop, sustain and protect an environment of honesty, trust and respect. Students are expected to pursue knowledge with integrity. Exhibiting honesty in academic pursuits and reporting violations of the Academic Honesty Guidelines will encourage others to act with integrity. Violations of the Academic Honesty Guidelines shall result in judicial action and a student being subject to the sanctions in paragraph XI of the Student Conduct Code. The conduct set forth hereinafter constitutes a violation of the Academic Honesty Guidelines (University of Florida Rule 6C1-4.017).

Cheating

The improper taking or tendering of any information or material which shall be used to determine academic credit. Taking of information includes, but is not limited to, copying graded homework assignments from another student; working together with another individual(s) on a take-home test or homework when not specifically permitted by the teacher; looking or attempting to look at another student's paper during an examination; looking or attempting to look at text or notes during an examination when not permitted. The tendering of information includes, but is not limited to, giving of your work to another student to be used or copied; giving someone answers to exam questions either when the exam is being given or after taking an exam; giving or selling a term paper or other written materials to another student; sharing information on a graded assignment.

Plagiarism

The attempt to represent the work of another as the product of one's own thought, whether the work is published or unpublished, or simply the work of a fellow student. Plagiarism includes, but is not limited to, quoting oral or written materials without citation on an exam, term paper, homework, or other written materials or oral presentations for an academic requirement; submitting a paper which was purchased from a term paper service as your own work; submitting anyone else's paper as your own work.

So that there is no confusion, here are my expectations

1. Students are strongly encouraged to work with their classmates to study, work problems and cases, and prepare for classes and exams. The goal is to maximize your understanding of the material.
2. Students are expected to include only their own work on the midterm and final exams. Students are expected to hand in a write-up for each case as a group and each group is expected to do its own independent work. Cheating, as defined above, will not be tolerated.
3. Students are expected to contribute fully to each and every team assignment. Therefore, it is not permissible, say, for a team to split the case write-up and the company report so that each member of the team only contributes to part of an assignment. Each student is expected to come to class prepared to discuss and present all of every assignment.
4. Plagiarism, as defined above, is not acceptable.