

CLARION UNIVERSITY OF PENNSYLVANIA
COLLEGE OF BUSINESS ADMINISTRATION
DEPARTMENT OF FINANCE
Managerial Finance
FIN 570
Spring 2014

Instructor: Dr. Matthew Brigida

Office: Still Hall 318

Office Hours: In Still Hall Office: Monday and Wednesday, 3:15–4:45pm; Online (D2L): Tuesday, 2:00–4:00pm.

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Class Location: Online (in D2L)

Text: *Corporate Finance* by Stephen Ross, Randolph Westerfield and Jeffrey Jaffe, 9th edition (ISBN: 978-0-07-338233-3)

Important Dates

Midterm Exam: 3/1/2014 @ 2:00pm EST

Final Exam: 5/3/2014 @ 2:00pm EST

Project Due Date: 5/10/2014

DESCRIPTION

The assessment of financial techniques to determine how they affect the business both internally and externally. The learning outcomes for this course are summarized below:

1. Interpretation and analysis of financial data including: the time value of money, ratios, and financial forecasting in order to help the firm achieve its business objectives.
2. An understanding of capital budgeting and the cost of capital in order to allocate scarce resources amongst business opportunities.
3. To understand capital structure, and the methods of adjusting such structure particularly through stock repurchases, dividends, and security issuance.
4. Analysis of working capital in order to anticipate the future cash flow of the firm.

ACADEMIC HONESTY POLICY

Academic dishonesty will not be tolerated in this class. Cheating on quizzes, examinations, and other forms of dishonesty (e.g., plagiarism, collusion, and falsification of data) will be dealt with in a serious and formal manner. The penalty for academic dishonesty in this class will be course failure. That is, any

student who is found to be cheating or engaged in other academically dishonest behavior will be failed for this course for this semester. Course withdrawals to avoid such a failure will not be permitted. As a student, you have a responsibility to become familiar with the Academic Honesty Policy found in the Student Rights, Regulations, and Procedures Handbook.

Things to consider before taking the course:

- **High-Speed Internet:** This course is entirely taught online, and so you will need frequent access to a computer which can connect to the internet reliably and with sufficient speed. You should not take this course if you plan on being in an area with insufficient internet access. “My internet was down” is not an acceptable reason to hand in late work.
- **Software:** You will need word processing and spreadsheet software to take this course. Common examples of such software are Microsoft Word and Excel. However, there is no need to buy this software if you don’t already have it. There are many free (open-source) alternatives which are just as good (and which allow you to save/read files as .doc(x), .pdf, and .xls(x)). Some widely used free office suites are [LibreOffice](#) and [OpenOffice](#). Feel free to download and use these. *In this course all word processed submissions should be in .pdf, and all spreadsheets should be submitted as .xlsx.*
- **Adding or Dropping the Course:** To add or drop the course the student should consult the university guidelines and withdrawal dates. The course instructor is not involved in a student’s adding or withdrawing from the course.

ONLINE OFFICE HOURS

I will be logged on the course D2L site on Wednesday from 2:00–4:00 pm¹. I will also periodically access the Discussion Room at other times during the week from Monday at 7am to Friday at 5pm.

Students do not need to access the course simultaneously, and therefore have a measure of flexibility regarding when they access the course. However, students should access the course regularly to keep up with assignments, and to maintain a presence in the Discussion Room. Students should also often check their Clarion University email account.

EXAMS

¹All times listed in this syllabus are eastern standard.

There will be two exams (a midterm and a final). The exams will mainly be comprised of short-answer questions, and computations. More involved questions will be worth more points. Many of the exam questions will be derived from the assigned end-of-chapter questions, so you can prepare for the exam by completing all of the end-of-chapter questions.

While you are allowed to use your text during the exam, you should not rely on it. Given you will only have three hours for the exam, you will not have time to search the text for the answer (or how to compute the answer). Students perform considerably better if they know the material beforehand, and only need to consult the text for a few questions.

For each exam you will need:

- Access to software which can display pdf files (I will send the exam to you as a pdf).
- A wordprocessor which can write pdf files (you will send your short answer questions back to me as a pdf).
- Spreadsheet software to answer the computation questions (you can send me the spreadsheet as .xls or .xlsx).

Normally no make-up exams will be given. Failure to take an exam will result in a grade of zero for the missed exam. Make-up exams will only be allowed for *extraordinary* and *verifiable* reasons.

Midterm Exam

The midterm exam is scheduled for 3/1/2014 (Saturday) at 2pm. I will post the exam to the ‘news’ on the front page of our classes D2L site. You will have 3 hours to complete the midterm exam—so the exam is due at 5pm. You will submit your exam using the Dropbox in D2L.

In the unlikely event that the D2L servers are unavailable at the exam time, I will email the exam to your clarion.edu email address. So if you are unable to log on to D2L, or don’t see the exam posted by the exam time, then check your email. Similarly, if for some reason the D2L Dropbox is not working when you try and upload your exam, then you may send your exam to my email address: mbrigida@clarion.edu. If however, your upload is successful, then don’t bother sending your exam via email.

Final Exam

The final exam is concentrated on the topics learned after the mid-term exam, so the exam is not comprehensive *per se*. However, the concepts learned after the mid-term rely heavily those tested in the mid-term, so a poor understanding

of the material on the mid-term will lead to a poor performance on the final exam.

The final exam is scheduled for 5/3/2014 (Saturday) at 2pm. Exactly like the midterm, I will post the exam to the ‘news’ section of our class D2L site by the exam time. You should upload your completed exam to the D2L Dropbox within 3 hours of the time you selected (5pm). I’ll send the exam as a pdf, and you should submit a pdf of your written answers and a spreadsheet of your calculations.

Exam Rules

I have provided the exam dates so that you can make sure that you will have time to take the exams on these dates. To be clear, this course needs to be prioritized ahead of work or other obligations on these two dates. Missing, or not completing an exam on time, means that you will receive a 0 for the exam. Note, I will not give any ‘Incompletes’ in this course. If you feel you may not be able to take an exam on the specific date, you must notify me within the first week of class.

On the exam day you are not to discuss the exam with other students. Both receiving help from another student, or helping another student on an exam, are considered serious academic irregularities the result of which can range from receiving an ‘E’ in the course to dismissal from the university.

PROJECT

This project serves as your submission to your MBA portfolio from this course.

You will, in groups of no more than 4. value either a tolling agreement on an electricity generating facility, or an FTR on a transmission line. You will submit your valuation in a spreadsheet uploaded to D2L. A more detailed description of the project will be provided during the first week of class.

PARTICIPATION

For each week I have posted a set of ‘Concept Questions’ from the text. I also may post additional questions on recent events. You must choose one of the questions from the set and post your answer to the discussion board. Try and choose a question that has not yet been answered, but if all the questions have been answered then try and add unique information in your answer.

In addition to your answers, you must post two responses to other students’ answers. So each week you will post one answer, and two responses to other answers, for a total of 3 posts to the discussion board each week.

To receive credit your posts must be constructive, preferably somewhat insightful, and show you have done the reading. If your post does not meet the preceding criteria, please don't bother posting it because it will just clutter the discussion board. A particular week's discussion will conclude Sunday at 9pm of that week.

COURSE COMMUNICATION

All communication will be through D2L and email.

GRADING:

Midterm Exam	25
Final Exam	25
Project	20
Participation (D2L Discussion).....	30
Total Points	100

Final grades will be assigned according to the following scale:

- 90 - 100 A
- 80 - 89.9 B
- 70 - 79.9 C
- 60 - 69.9 D
- < 60 F

GENERAL NOTES:

1. All times referred to in this course are Eastern Standard – unless otherwise indicated.
2. Attending the online discussion, and reading the text is required.
3. All exams will be open book.
4. There will be no make up exams or extra points assignments.
5. Cheating will result in prosecution to the fullest extent possible under university rules.
6. You are responsible for material covered in the online discussion, as well as text material.

TENTATIVE OUTLINE

- January 20: Chapter 1
- January 27: Chapter 2 & 3
- February 3: Chapter 4
- February 10: Chapter 5
- February 17: Chapter 6 and Section 7.3
- February 24: Exam Review and discussion about the Project
- March 1: Midterm Exam
- March 3: Chapter 10 & 11
- March 10: Chapter 13²
- March 17: No Class, Winter Holiday
- March 31: Chapter 15
- April 7: Chapter 16
- April 14: Chapter 17
- April 21: Chapter 19
- April 28: Exam Review and discussion about the Project

²Chp. 13 requires you to calculate the yield-to-maturity (YTM) on a bond, which is a topic from FIN 370 and chapter 8 of the present text. However, YTM is nothing more than the annualized internal rate of return (IRR) (we cover IRR in chapter 5 of the text) of the bond. So list the cash flows of the bond and apply Excel's IRR() function. Annualize the IRR by multiplying the value by the number of periods in a year.

Notes on Spreadsheet Design: You should construct your spreadsheet as if you were an analyst at a company, and you were going to submit the spreadsheet to upper management. Therefore, getting the correct answer can be considered the minimal amount of work. The spreadsheet should be easily readable and organized. There are a couple of reasons why this is important: (1) management often will check some numbers (or maybe change a few inputs if they have more up to date information) and it will reflect very poorly on you if they have to search around through a muddled and ill-conceived spreadsheet; and (2) anyone should be able to pick up your spreadsheet and complete it if you are not there (vacation, sick, or hopefully promoted). Following are a couple tips on spreadsheet design, though it is far from exhaustive.

- Hard-code as little as possible. You want a few cells for your inputs, or a place where you put your data, and then every other cell is linked and feeds off of these input cells. This way, to update your spreadsheet you simply change the inputs or drop in new data.
- Take the time to label cells, and put in appropriate comments if necessary - though comments should not be used excessively. Also, it is common to change the cell color depending on whether it is hard-coded (an input) or a formula. This way you (or anyone else) can immediately look at a cell and tell whether it is one in which you can type (an input). Don't forget to include a key.
- It is often better to add tabs to a spreadsheet than continue calculations on one tab. You can easily page through spreadsheet tabs with 'Ctrl+Shift' and 'Page-up' or 'Page-down'.
- Pivot tables. While you may not need them in this course (though they may be helpful for the project), you should nonetheless get to know them. Pivot tables are incredibly useful for summarizing data, and it is very possible you will be asked in an interview whether you are familiar with them. Similarly, get to know VLOOKUP.
- If you are inputting a long formula, then break the calculation into multiple cells. This makes it much easier to tell where a mistake was made - and everyone always spends a fair amount of time looking for errors.
- Excel has many built in formulas which can be useful, however it is important that you understand what the formula is doing to use them. Blindly applying a formula can lead to trouble. For example, if you use the IRR() function on cash flows with multiple roots, the formula will return the first root it finds without signaling to you that there are other roots. Also, there are Excel formulas that are flat out incorrect - in particular the NPV() function. So, use a function if it saves time, but first be sure you know what the function is doing and verify it works. That said, in my experience it is better (and faster) to input your own formula instead

of using Excel's. You often have to break the calculation into a couple of steps, but this can be done quickly, and the result is a spreadsheet that you know works and is easily auditable.