Department of Finance, San Diego State University

Finance 617
Financial Management II

Syllabus

Instructor: Frank Ryan  
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Tuesday: 7:00 – 9:40 p.m.  
Classroom: GMCS-325  
Office Hours: Tues. 4-5pm/Thurs., 11:15-12:15 pm.

Course Objective

Fin 617 is an intermediate level course, designed to complement BA 665. Together, the two courses provide a complete overview of modern corporate finance, including relevant theory and practical applications.

MBA Program Goals

MBA students will graduate with:

- A solid foundation in theoretical concepts and managerial skills needed to lead business organizations.
- The ability to analyze environments in which managers make and implement business decisions.
- The skills to formulate, communicate, and coordinate strategies to solve business problems and pursue opportunities.

Fin 617 contributes to these goals through its student learning outcomes.

Student Learning Outcomes of Financial Management II

Learning outcomes will include the ability to:

- Calculate common investment criteria and project cash flows associated with corporate project evaluation
- Apply measures of cost of capital and financial leverage to form long-term financial policies for business
- Describe the common factors influencing dividend policy
- Relate capital investment decisions and financial policies to business valuations
- Describe applications of options in financial management
- Judge the merits of leasing over borrowing to purchase assets
Achieving the Course Objectives

To achieve the course objectives, you must read a substantial amount of material, participate actively in classroom discussions, and prepare to present your homework solutions to your colleagues. You can expect to do so in a friendly, collegial, and supportive atmosphere.

Course Resources

Textbooks

Principles of Corporate Finance, Brealey/Myers/Allen, 11th ed. The text is a course requirement. We rely on it extensively. You need not bring it to class every day. Used textbooks are fine if you can find them. The international text is fine, but you need to keep track of the question numbers, which are different in the international text, when doing homework problems. I do not recommend any digital textbooks as they expire, are not resellable, and are thus absurdly over-priced. You need the “Connect” homework management system that also comes from McGraw-Hill. Connect is much less expensive when bundled with the purchase of a new textbook.

This text is a classic in finance and is the premier text used throughout business schools in the U.S. It is exceedingly well-written. Most chapters are about 20 pages of reading and are easily digestible. We will, however, review the hardest parts of each chapter in class. The link to the textbook web page is on Blackboard (“Bb”) at Bb/Textbook. All reading assignments are listed on Bb.

“Excel Modeling in Corporate Finance,” 4th edition, Craig Holden. This is an important resource as we will do a lot of work in Excel in this course. It is optional.

Readings

I will post numerous articles from the contemporary business press on Bb.

You should try to read The Wall Street Journal every day. In particular, articles in the Money & Investing section provide good sources for class discussions. By the end of the course, you should find that you can quickly digest such articles.

Classroom Time

Each class typically includes a discussion of recent news in the world of corporate finance and financial markets, including articles assigned for that day. We will primarily use classroom time to review and preview reading material and discuss assigned problems.

We have a number of classes entirely devoted to project analyses. These classes have a different format, described below.

As always, you should read all assigned materials prior to class meetings and be ready to engage in class discussion. My philosophy is that most basic knowledge is acquired
outside of the classroom and that we should use classroom time to refine, extend and integrate that knowledge. I am very available by email and phone and strongly believe you should never remain “stuck” on any reading concept or homework problem for more than 15 minutes.

**Email/Phone/Office Hours**
Please feel free to email me or call me at any time. (I do not use text messaging.) If you ask a question that others may find valuable, I typically forward it (anonymously) to the class distribution list. If you email me, please include a phone number and preferred calling time should I decide to call you back. Please take advantage of office hours, especially to discuss upcoming assignments. I am always at office hours, so you do not need an appointment.

**Assessment**

*Class Participation (10%)*
Your class participation grade will reflect the quality as well as quantity of your valuable contributions to class discussions. You may be called at random to discuss reading material and to present your answers to homework problems. I grade everyone’s contribution to each day’s discussion. The weekly grade reflects the value added by each participant, not the number of words spoken.

Classroom contributions include not just pertinent questions, but also any opinions or comments you have on the material we discuss. You can easily relate classroom discussions to other courses you have taken, to other parts of this course, or to your general experience. I find nearly any contribution of value, provided you share it with the whole class, as described below.

I always encourage questions and like to maintain a relaxed and collegial environment. I also believe that--as a class participant--you should give your undivided attention to whomever is speaking. In that vein, “side conversations” inhibit the sharing of your valuable insights with your colleagues. Please share your observations with the class at large. I find side conversations particularly distracting and you will find that any such conversations quickly reduce your participation grade.

Note that all class discussions are fair grounds for quiz, midterm, and final exam questions.

Many students find their neighbor’s use of computers and cell phones during class distracting. I certainly find them distracting and their use decreases my teaching effectiveness. You will therefore need to take handwritten notes for this course. Please turn off all computers and/or other electronic devices, except for your calculator, during class. Please note the following statement from the Center for Student Rights and Responsibilities: (http://www.sa.sdsu.edu/srr/rights2.html) “The right to learn in an academic environment that is free of inappropriate interruption, due to the use of electronic communication devices during class, or other activities that might be considered distracting to others.”
You will receive a mid-semester update on how well you are doing in participation. This feedback will help you improve your classroom performance over time.

**Homework (10%)**
I post homework assignments to Blackboard at least one half week before they are due. (Assignments are typically due on Monday evening by 9:00 p.m.) Homework assignments are assigned and graded on both Connect and on Bb. Since Bb will randomly lose your work (especially during the beginning of the semester) you need to print a copy of your HW submission and bring it to class. (It is convenient to have a printed copy as we discuss selected HW problems.) I remove your worse 20 homework answers from your homework grade.

You must be willing and able to use Excel to do a number of the assignments. You need no special software for this course beyond standard internet access, word processor, and Excel.

**Quizzes (15%)**
Quizzes reinforce readings (both text and supplementary readings), homework problems and class discussions. Anything related to this class may appear on a quiz. Quizzes consist mostly of true-false and multiple-choice questions. However, many of the questions require calculations. Sample quizzes are on Bb/SampleTests. Quizzes cover all material since the prior quiz or midterm, i.e. not intentionally cumulative. Quizzes enable you to diversify your course grade “portfolio” and help you gauge your course progress.

I typically give you 25 minutes to finish a quiz. I plan to offer you four quizzes, depending on scheduling. The four quizzes will likely occur on the dates highlighted by a box on the schedule below. I announce quizzes on Bb or in class at least one week in advance. Every quiz starts at the beginning of class. Please make sure you appear on time. Class always continues for the full class period after the quiz is over.

You quiz grade consists of the sum of your top three quiz scores. Typically, this enables you to discard your lowest grade, and thus covers all potential sicknesses, family crises, or other extraneous situations that may arise. Some of you will not miss any quizzes and will simply drop your lowest score.

**Midterm (20%)**
The midterm will be closed-book. You will have both computational questions, theoretical questions, and questions related to assigned readings. I will likely allow you to use a page of crib notes for the midterm. Part of the midterm (depending on facilities availability) may occur in a computer lab with you working on an Excel spreadsheet.
**Simulation Project (15%)**
You will need to form teams of approximately four people per team to compete in a financial management simulation. The project specifications will be discussed, in great detail, later during class.

The simulation software ("Business Challenge") and web access is provided to our class by Enspire Learning, Inc., of San Antonio, TX. Large corporations use their simulations at a typical cost of $395 per participant per day. Our cost is $95 per person for three weeks of access and enables your access to both the simulation and to the video-based "Fluent in Finance" review lessons. Purchase of the software (confirmation provided by Enspire), and thus ability to engage in the simulation, is a course requirement.

Each team will manage a simulated energy drink company and in doing so will compete against three other four-person teams. The purpose of the simulation is to give you practice managing your simulated company in order to maximize the valuation of your firm. You will need to use skills gained from your management, accounting, marketing, and finance courses in order to win. Each firm starts the simulation with the same assets and market presence as the other three firms. The results of the simulation therefore reflect the dynamic interaction of decisions made among the competing teams.

After the simulation finishes, your team will recap its results during class with a short power-point presentation. You will need to determine the value of your firm as part of that presentation. I will evaluate your firm’s performance based on the market valuation of your firm, the consistency and soundness of its actions, and its ability to adapt to an evolving marketplace.

Each member of your group must participate (equally, by time) in the group presentation. Each group member will provide anonymous feedback on the performance of other group members and I may adjust an individual’s group project grade based on such feedback and my observations of individual performance during the simulation.

**Comprehensive final (30%)**
The final will be comprehensive and closed-book. I usually allow a crib sheet of notes. The final will comprise questions based on assigned readings, case discussions, group presentations, and class discussions.

**Other**
The SDSU grading policy is as follows:
“Graduate grades shall be: A, superior performance; B, satisfactory performance; C, minimally passing; D, unacceptable for graduate degree credit; and F, failing. The grade for average graduate achievement shall be B.”

**Student Responsibilities**
Note that, although homework is graded, I strongly encourage thorough discussion of your homework within your study group. However, when you submit your work you
must submit **only those answers** that you can defend. You should be able to "stand behind" any work that you obtain credit for, just like CEOs and the financial statements they must stand behind these days. Do not input any homework answers that you cannot come to the board and explain to the class.

**Academic Integrity**

Any instance of academic dishonesty will result in an immediate F in the class and an incident report to the Center for Student Rights and Responsibilities.

**Intended Schedule (refer to Bb/Assignments for actual course progress)**

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<td>8/27</td>
<td>Chapters 1/2/3</td>
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