Syllabus: FINANCIAL ANALYSIS AND MANAGEMENT (FIN 423)
Spring 2015

The class meets Mondays and Wednesdays from 2:00pm-3:50pm in P-149.

Instructor: Babak Lotfaliei
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E-mail: Babak.lotfaliei@sdsu.edu
Office Hours: 4:00pm-6:00pm Mondays, (or by appointment)
Assigned Examination Date: Monday 11 May, 1:00pm-3:00pm

COURSE DESCRIPTION
This four-credit course is for students who major in finance. By the end of this course, students will understand the practice of financial management through attending lectures, assignments, cases and exam preparation. This is an applied course where you learn how to apply the theory to real world cases. A solid understanding of principles in finance, accounting and probability/statistics is a prerequisite for this course; Fin 325, Acctg 326 and Fin 321 are the prerequisites for this course.

COURSE AND STUDENT LEARNING OBJECTIVES
At both the individual and group levels, students develop critical thinking and problem solving competencies for financial statement analysis, financial planning, and principles of valuation, capital budgeting, capital structure, and issues in financial policy. Students apply financial theory to analyze real life situations in an uncertain environment with an incomplete data set. At the end of this course students should be able to:

1. Use Financial Statements to evaluate firm performance.
2. Project Financial Statements (B/S, I/S, budgets, etc.).
3. Use Financial Statements to obtain Cash Flows for the firm and equity holders.
4. Calculate and project Free Cash Flow.
6. Calculate the cost of debt, cost of equity and the Cost of Capital.
7. Use DCF and other valuation techniques to value projects and firms; perform risk analysis; analyze Mergers, Acquisitions, Leverage Buyouts and Initial Public Offerings.
8. Evaluate alternative financing options.
9. Evaluate the economic and industry environment, domestic and international.
10. Develop hands-on, pro forma modeling skills using Excel.
11. Develop presentation and writing skills.
CONCEPT MAP

Applied

- Acquire & analyze data
- Financial planning, growth & capital structure
- Long-run
- Short-term

Basic application

- Estimate cost of capital
- WACC
- Discounted Cash Flow (DCF)
- Sensitivity analysis
- Valuation: Projects, Firm
- Multipliers

- Advanced Valuation
- Real options
- Financial derivatives
- Merger & Acquisition
READINGS
Main Texts:

   a. If you use McGraw-Hill/Irwin Connect and LearnSmart, go to the link http://connect.mheducation.com/class/b-lotfaliei-fin423-s1-s15 and register for the ebook. You also have the option to order a hard copy.

2. Finance 423: Financial Analysis and Management: Cases, spring 2015, Montezuma Publishing (includes cases). As another option, you can also directly purchase the cases online from the website for Harvard business cases (https://cb.hbsp.harvard.edu).

Optional Supplemental Texts:


COURSE SCHEDULE
It is expected that you have read the material prior to each class. Contents are subject to change, but I will announce the changes in class and on Blackboard.

B=Brealy, H= Higgins, R= Ross, Chpt=Chapter, HB= Harvard business cases

<table>
<thead>
<tr>
<th>Week/Session</th>
<th>Activity</th>
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<tbody>
<tr>
<td>Week 1, Jan-21</td>
<td>(1) Course Outline. Needs Assessment. B-Chpt 1&amp;3, H-Chpt 1, R-Chpt 1-2: Introduction &amp; Interpreting financial statements (FS)</td>
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<td>Week/Session</td>
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| Week 2, Jan-26    | (2) Evaluating financial performance  
B-Chpt 4, H-Chpt 2, R-Chpt 3  
(3) Financial forecasting  
B-Chpt 18.1-18.2, H-Chpt 3, R-Chpt 4.1 to 4.3  
(4) More on financial forecasting  
B-Chpt 19, H-Chpt 3, R-Chpt 18, Welch Chpt 20 |
| Week 2, Jan-28    | 11:59PM is the deadline to finalize and email group list for cases  
(5) Managing growth  
B-Chpt 18.3-18.4, H-Chpt 4, R-Chpt 4.4 to 4.6 |
| Week 3, Feb-02    | Assignment 1 and its correction are due before beginning the class  
(6) Discounted cash-flow analysis  
B-Chpt 5 & 9, H-Chpt 7, R-Chpt 6 & 10  
Case report 1 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
HB 1: Assessing a company’s performance: Presentation by groups |
| Week 4, Feb-09    | Peer review for Case 1 is due before beginning the class  
(7) Evaluating projects  
B-Chpt 8 & 10, H-Chpt 7, R-Chpt 9 & 11  
Case report 2 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
HB 2: The O.M. Scott & Sons Co.: Presentation by groups |
| Week 5, Feb-16    | Peer review for Case 2 is due before beginning the class  
(8) Financial markets & risk, Financing decisions  
B-Chpt 2 & 11 & 15, H-Chpt 5 & 6, R-Chpt 12 & 13 & 15  
Case report 3 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
HB 3: Jones Electrical Distribution: Presentation by groups |
| Week 6, Feb-23    | Peer review for Case 3 is due before beginning the class  
(9) Evaluating projects  
B-Chpt 5 & 9, H-Chpt 7, R-Chpt 6 & 10  
Case report 4 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
HB 4: The O.M. Scott & Sons Co.: Presentation by groups |
| Week 7, Mar-02    | Peer review for Case 4 is due before beginning the class  
(10) Financial markets & risk, Financing decisions  
B-Chpt 2 & 11 & 15, H-Chpt 5 & 6, R-Chpt 12 & 13 & 15  
Case report 5 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
HB 5: Jones Electrical Distribution: Presentation by groups |
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| Week 7, Mar-04    | (9) Cost of capital  
B- 13.1-13.5, H- Chpt 8, R- Chpt 14  
  Case report 4 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
  HB 4: Diamond Chemicals PLC: Presentation by groups |
| Week 8, Mar-09    | Peer review for Case 4 is due before beginning the class  
Assignment 2 and its correction are due before beginning the class  
(10) Capital structure decision  
B- 14 & 16, H- Chpt 8 & 6, R- Chpt 16 |
| Week 8, Mar-11    | EXAM 1, 90 minutes beginning at 2:05pm |
| Week 9, Mar-16    | (11) Business Valuation  
B- 13.6, H- Chpt 8 & 9  
  Case report 5 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
  HB 5: Debt Policy at UST Inc.: Presentation by groups |
| Week 9, Mar-18    | Peer review for Case 5 is due before beginning the class  
(12) Business Valuation: Multipliers and Adjusted PV  
B- Chpt 7, H- Chpt 9, R- Chpt 8.1 & 16.4-16.7  
  Case report 6 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
  HB 6: Marriott Corporation: Presentation by groups |
| Study break       | No class in spring break. Enjoy your break and studies 😊 |
| Week 10, Mar-23   | Peer review for Case 6 is due before beginning the class  
(13) Business Valuation. Mergers & Acquisitions  
B- Chpt 21, H- Chpt 9, R- Chpt 26  
  Case report 7 is due before beginning the class. Presentation reviews are due on Thursday 11:00pm following the presentation day.  
  HB 7: Tottenham Hotspur PLC: Presentation by groups |
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<tr>
<td>Week 12, Apr-13</td>
<td>Peer review for Case 7 is due before beginning the class</td>
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<td>(14) Mergers &amp; Acquisitions, Financial derivatives</td>
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<td>B- Chpt 21 &amp; 23, H- Chpt 9, R- Chpt 24 &amp; 26</td>
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<td>Week 12, Apr-15</td>
<td>Case report 8 is due before beginning the class. Presentation reviews</td>
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<td>are due on Thursday 11:00pm following the presentation day.</td>
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<td>HB 8: AirThread Connections: Presentation by groups</td>
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<td>Week 13, Apr-20</td>
<td>Assignment 3 and its correction are due before beginning the class.</td>
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<td>Peer review for Case 8 is due before beginning the class</td>
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<td>(15) Financial derivatives, Real options</td>
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<td>B- 23 &amp; 24, H- Chpt 8, R- Chpt 24 &amp;25</td>
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<td>Week 13, Apr-22</td>
<td>Case report 9 is due before beginning the class. Presentation reviews</td>
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<td>are due on Thursday 11:00pm following the presentation day.</td>
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<td>HB 9: Brazilian Beer Merger Negotiations: Presentation by groups</td>
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<td>Week 14, Apr-27</td>
<td>Peer review for Case 9 is due before beginning the class</td>
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<td>(16) Real options and hedging with financial instruments</td>
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<td>H- Chpt 5, R- Chpt 25 &amp; 23</td>
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<td>Week 14, Apr-29</td>
<td>Case report 10 is due before beginning the class. Presentation reviews</td>
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<td>are due on Thursday 11:00pm following the presentation day.</td>
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<td>HB 10: Arundel Partners: Presentation by groups</td>
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<td>Week 15, May-04</td>
<td>Peer review for Case 10 is due before beginning the class</td>
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<td>(16) Advanced topics in corporate finance</td>
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<td>B- Chpt 25, H- Chpt 5, R- Chpt 25</td>
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<tr>
<td>Week 15, May-06</td>
<td>(17) Course summary</td>
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<td>May 08</td>
<td>Group member evaluations are due. Bloomberg certificates are due by</td>
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<td>uploading the certificates on Blackboard.</td>
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<tr>
<td>May 11</td>
<td>EXAM 2, 90 minutes beginning at 1:05pm</td>
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ASSESSMENT AND GRADING

SDSU Policy: According to the grading policy of the finance department, grades shall genuinely distinguish between high and low levels of academic achievement. Undergraduate grades shall be: A, outstanding achievement; B, praiseworthy performance; C satisfactory performance; D, minimally passing and F, failing. The grade for average undergraduate achievement shall be C. Therefore, you will be graded on a curve, not on absolute scale.

Grade of this course is based on four assignments (5%), two exams (40% = 20% exam 1 + 20% exam 2), Case analysis (45% = 15% presentation score and analysis + 30% case reports strongly affected by your group) and participation in the class, online activities and Bloomberg certificates (10%).

# FOUR ASSIGNMENTS

Assignments (1% each of the first 3 assignments + 2% the last assignment) will be given throughout the course and reviewed in pairs. Assignments are done individually and each person reviews other peer’s assignment leaving comments over the answers. Although discussions with your classmates are highly encouraged, you must present your work that is original and is not merely a copy of your peers. The grade for each individual is determined through answers to problems and comments left to the peer’s answers. The grades of assignments are based on how much effort students made for answering problems and comments on the peer’s assignment.

Each assignment will be collected in the beginning of the class. No late submission will be accepted. The assignments will be also checked for potential plagiarism. The assignments will not be returned to the students, but could be discussed with the lecturer during office hours. You can scan your assignments, if you prefer to use pen and paper and submit the file. Please make sure you and your reviewer have your names on the file name (e.g. A#_john_smith_reviewed_by_joe_baker).

# FIRST EXAM

20%

# SECOND EXAM

20%

Both exams are in-class and closed-book exams. You have to bring green Scantron answer sheets and please make sure you fill out all your information on the sheets. I also strongly recommend that you show your calculations in the exam booklet because you may receive partial marks. A non-programmable calculator is allowed. Exams will begin sharply 5 minutes after the allocated start time and last 90 minutes.
I will provide you a formula sheet that contains all the required formulas in the exam and will upload it on Blackboard for practice.

# CLASS PARTICIPATION AND BLOOMBERG CERTIFICATES 10%

Students obtain at least two of the four Bloomberg certificates by completing Bloomberg Essentials Training Program at the Wells Fargo Financial Markets Lab at Love Library, LL 261. One of the certifications must be the Equity Essentials Training Program. The deadline is May 8th (2%). Participation assessment is based on the participation in class and group discussions and activities, and submitting the assignments, evaluations and cases on time. Students are also required to actively post and participate on online course discussions and debates (8%).

Cases:

# CASE PRESENTATIONS 15%

Each group has some presentations during the course in a consultant role which is evaluated by their peer group and the instructor. The evaluation will depend on how professionally the cases are analysed and presented by the group.

Peer groups act as customers for the consulting group. Peer groups are also evaluated based on their reception of the presentation. Instructor will act as a senior member of the customer group during the presentation. Instructor will address both the consultant and the customer group with his questions about the case.

Each member of the customer group evaluate the quality of the presentations by filling out an online evaluation form. No late submission will be accepted. Only submissions through Blackboard are accepted.

# CASE REPORTS 30%

At the beginning of the presentation session, each student will submit a report for the case that her/his group has a presentation for. The report is maximum 4 pages (main part) with unlimited appendices and supplemented by the related files. The report will be reviewed by one of the students who did not have a report due.

While individuals can use their group’s findings in their report, the main part of the report must be organized and written individually to reflect the individual’s opinion on the case. The report will be evaluated by their peer group members (from the customer’s point of view) and returned to the instructor with the comments before the
next session. Another part of the grade will depend on the quality of comments left as the peer for the report.

No late submission will be accepted. Only submissions through Blackboard’s Turnitin are accepted. Turnitin will automatically assign each reviewer a report and reviews are also submitted through Turnitin. Please make sure you keep the electronic receipt from Turnitin after submissions for future reference. You are not required to submit or email the receipt. If you are not familiar with Turnitin, or face any problems with its features, please contact student help desk located in the Love library or call them at 619-594-3189 (http://library.sdsu.edu/scc).

# WITHIN GROUP EVALUATION

At the end of the semester, team members will send their evaluation on the performance of their teammates to the instructor no later than May 08. Students will distribute 100 points among their peers. For example, in a team of 3 people with equal effort and performance of the members, each member has two peers and will allocate 50 points to each of his/her peers. The sum of all the grades allocated to the teammates will add up to 100. I strongly recommend that teams pick a team leader each time and rotate this position among themselves for each case to gain experience.

Group evaluations posted by peers for each student has strong inflating (or deflating) effect on case and class participation evaluations.

# TOTAL 100%

Note: Only written memorandum-style requests (not e-mails) for re-marks of exams carefully explaining the reason will be accepted. A re-grade might result in a lower mark. Please do not forget to bring your ID for the exams.

SDSU POLICIES

Plagiarism: Cheating and plagiarism are serious violations of academic standards and, if they occur in connection with an academic program at SDSU, may warrant academic sanctions (such as grade modification by the instructor) as well as disciplinary sanctions by the administration (such as probation, suspension, or expulsion, including an educational component such as an interactive learning program and/or a reflective paper). In order to coordinate information to permit appropriate disciplinary action for first-time and repeat offenders, Executive Order 1006 requires faculty members to file an academic dishonesty report describing violations with the Center for Student Rights and Responsibilities. Refer to Policy File for additional details (Academics: Cheating and
Plagiarism). SDSU library has tutorial for plagiarism which would help you test your knowledge on the subject (http://library.sdsu.edu/guides/tutorial.php?id=28). Examples of plagiarism are representing parts of your group member’s written report as your own work, and failing to cite your references properly.

Students with disability: If you are a student with a disability and believe you will need accommodations for this class, please contact Student Disability Services at (619) 594-6473. To avoid any delay in the receipt of your accommodations, you should contact Student Disability Services as soon as possible. Please note that accommodations are not retroactive, and that I cannot provide accommodations based upon disability until I have received an accommodation letter from Student Disability Services. Your cooperation is appreciated.

Religious holidays: By the end of the second week of classes, students should notify the instructors of affected courses of planned absences for religious observances. Please notify me in a timely manner and a reasonable accommodation will be reached.

Additional policies governing academic issues which affect students can be found in the SDSU Senate Policy File (July 2014, http://fa.sdsu.edu/documents/Policy%20File.pdf).

CLASSROOM POLICIES

If you could not register officially for this course or you do not meet the pre-requisites of the course and you have strong reasons for crashing the course, please contact and seek the approval from the chair of the finance department. After receiving the approval, please contact me to arrange your registration in the course and I will also need a copy of your unofficial transcript.

It is strongly advised that students punctually attend each class. Textbooks, references and power point slides cannot substitute the teaching/learning activities in class. In unavoidable situations such as a job interview, it is recommended that a student notify to the instructor in advance. In addition, students shall submit assignments on time. Be aware that maintaining a strong sense of delivery is a good quality as a financial analyst. However, in an event out of a student’s control, it is recommended that a student report to the instructor in advance. Finally, plagiarism will not be tolerated in this course.

No late submissions are accepted. Therefore, students are advised to submit their work well before the deadline to avoid inconvenience.

Team work: You have a very high chance of reducing the course load, if you practice to work in groups.
This is important especially about the cases: If you split the labor among the team members, cases are easy to complete during the time available. Cases are hard to do individually since they require lots of analysis. Cases also require you to look at them from different perspectives which only can be accomplished through team work. For example, one member can run ratio analysis, while another member runs pro forma statements and the third person looks at the business and its environment. After all the discussions, individuals only spend time on their own to write the 4 pages report and support their arguments in the report with the tables and information produced by the teamwork at the appendices.

If any team members work individually, they will risk their grade because they may receive a bad grade from their team members. Unfortunately, the worst case scenario is a lose-lose condition where a team has all the members working individually. As an example for “within group evaluation”, if John, Joe, and Jack are in the same team, John decides about allocating 100 points to Joe and Jack. If they have contributed equally, each would receive 50 points from John adding up to 100. Joe and Jack also will allocate a grade similarly. However, if John believes that Joe did not contribute, Joe receives very low mark. Given a low mark allocated to Joe by Jack, Joe will lose part of his grades for all the reports, presentation, and participation, because it signals that he was not contributing to the group.

Some students are busy and cannot meet regularly. Therefore, I recommend the following strategies:

- You can share your work by collaborating on documents using websites such as Google Docs, Google Drive, Dropbox, etc.
- Try to communicate and learn from other groups about their group management techniques.
- If you cannot meet in person with the members, you can meet virtually using software such as Google Hangouts, Skype, and other chat software.
- Your team leader can divide the labor.
- In the case that some members are not capable of doing some tasks, you can provide them with alternate tasks to contribute.
- Be fair: try not to do free-riding on other group members because they will reflect your contributions in the grade that they allocate to you.

**Code of Professional Conduct in the Classroom**
In preparing our students for careers in business, government, and non-profit organizations, it is essential that we strive for the highest levels of professionalism. Central to that objective is the development of a respectful and professional atmosphere in and around the classroom. It is expected that both students and professors will treat each other as well as visitors to the Faculty with respect and consideration. In order to foster such an environment, the following is expected of all parties:

**Communal Responsibilities:**

- **Classroom Preparation:** Students and professors must come to class prepared for that day’s topic and ready to engage themselves.
- **Timeliness:** Both students and professors should arrive before the official start of class, such that the professor then begins class on time. It is the responsibility of the professor to then end class on time, thus not causing students to be late for their next class.
- **Food:** Individuals should be discreet in the bringing of food into the classroom, and it is the responsibility of each person to properly dispose of any waste they may create so as not to detract from the development of a professional atmosphere.

**Professor Responsibilities:**

The instructor (i.e., professor, lecturer, or graduate teaching associate) shall be in charge of the class and shall be responsible for its discipline and grading. The instructor shall provide and follow a syllabus, shall maintain an atmosphere conducive to learning, and shall administer examinations and other exercises to determine the level of student attainment in a manner reasonably calculated to minimize the possibility of dishonest work. Grading practices shall meet the highest professional standards of objectivity, fairness, and accuracy, and testing procedures shall be designed to reasonably determine student attainments in the course’s subject matter.

- **Class Cancellation:** If a professor cancels a class, he/she must reschedule it with proper notice to all students. The Area Coordinator and Associate Dean Academic should be notified of such cancellations.
- **Returning Assignments:** Assuming their assignments are turned in on time, students are entitled to have their coursework returned within a reasonable amount of time and be provided with appropriate feedback.
- **Case studies:** Student reports for the case studies will be retained by the instructor. While the grade and the identity of students will be kept private, students (by registering at this course) agree that their written work, without their names, is used as the sample of student reports for future courses.
- **Final Grade Submission:** Professors are required to submit final grades in accordance with university-designated deadlines. Professors may not distribute or post grades in a way that allows anyone other than the individual student to access them.

**Student Responsibilities:**
The student shall cooperate with the instructor and fellow students in maintaining an atmosphere conducive to learning. The student shall be courteous to faculty and fellow students and shall be scrupulously careful to adhere to the highest standards of academic honesty.

- **Electronics**: Electronics should only be used in support of the classroom experience. Towards this end, the following policies hold: Cell phones/blackberries should be turned completely “Off” (Using the “Silent” mode is not sufficient). At no time should someone during the course of the class engage in making/receiving phone calls, sending/receiving SMS’s/emails, using cameras, or surfing the internet with such devices. The use of computers is at the discretion of the professor, and should be made clear by him/her. If they are allowed, they should only be used to support that day’s material (i.e., taking notes, using the web as directed by the professor). Checking email, surfing the web for non-class related topics, chatting on the net, or working on other projects are not acceptable forms of behavior. All other forms of electronics (i-pods, MP3 players, PDAs, etc), should also be maintained in the “Off” position.

- **Newspapers/Other Material**: No one should be reading newspapers or other material not related to that day’s class.

- **Leaving Class**: Students should not be walking in and out of class in a manner disturbing other students, the instructor, or the learning process.