

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO**  
**Joseph M. Bryan School of Business and Economics**  
**Department of Accounting and Finance**  
**Spring 2014**

**MEETING TIME AND PLACE**

MBA 707.51, Financial Management  
2:00 pm – 4:50 pm Thursdays, Bryan School Bldg., Room 204

**PREREQUISITES:**

MBA 701 (Quantitative Analysis for Decision Making); MBA 702 (Financial and Managerial Accounting); MBA 703 (Economic Environment of the Firm)

**INSTRUCTOR INFORMATION**

Instructor: Daniel T. Winkler  
Office: 383 Bryan Bldg. (Department of Accounting and Finance Office)  
Phone: (336) 256-0530  
E-mail: [dt\\_winkler@uncg.edu](mailto:dt_winkler@uncg.edu) (preferred method of communication)  
Office Hours: 12:30 pm – 1:30 pm on Thursdays before class and by appointment

**COURSE DESCRIPTION**

Financial decision-making; topics include time value of money, risk and return, valuation of securities, financial options, cost of capital, capital budgeting, working capital policy, financing decisions.

**REQUIRED RESOURCES**

Douglas R. Emery, John D. Finnerty, and John D. Stowe. *Corporate Financial Management*, 4<sup>th</sup> Ed., Wohl Publishing, 2011. ISBN: 978-1-935938-00-2

Darden Business Publishing. There are assigned cases for in-class discussion, cases for write-ups, and assigned notes/readings that can may be purchased and downloaded online at: <https://store.darden.virginia.edu/>. These cases may be also available through interlibrary loan with sufficient lead time; please contact interlibrary loan at the Jackson Library if you are interested in this possibility. The Tentative Schedule (last two pages of the syllabus) lists the cases to be used in-class and for case write-ups.

Assigned Article: A readings article has been assigned, and the reference for the article has been provided. To find it, you can go online to the Jackson Library ([library.uncg.edu](http://library.uncg.edu)), search the Journal A – Z list, find the journal and issue, and download the article.

MS Office: MS Word and Excel will be utilized in this class. You should be prepared to bring a laptop computer to class.

## STUDENT LEARNING OUTCOMES

1. To state the major stakeholders in the modern corporation, describe how the interests of the stockholders in a firm may be in conflict with other stakeholders, and the role of ethics;
2. To understand the economic context and environment where decisions are made by business leadership and management;
3. To further students' understand and the interpretation of financial statements;
4. To solve time value of money problems (TVM) and be ready to apply TVM techniques in the work environment including to bond and stock valuation;
5. To identify the risk and return characteristics of financial securities, compare these characteristics and perform data analysis and interpretation;
6. To recognize financial options and apply option principles to other firm settings;
7. To apply risk and return estimation methodologies, including to the valuation of equity and debt claims and the firm's cost of capital;
8. To identify relevant incremental cash flows, and apply capital budgeting techniques to these cash flows;
9. To contrast working capital policies in terms of risk and profitability;
10. To evaluate financing alternatives and the financial structure of the firm.

## TEACHING METHODS

This course will use multiple instructional methods. All topics will be taught with lectures to introduce the principles, foundations and concepts. PowerPoint slides will be placed on Blackboard for students to review. The lecture, however, will focus on topics that do not always correspond to the PowerPoint slides.

With the exception of student learning outcome #1, all others will have assigned problems from the textbook chapters. Students will have an opportunity to ask questions about these problems in class, and the instructor's manual with the solutions is available on Blackboard.

Certain topics that involve contrasting, evaluation or application will often use the case method. Multiple cases and advanced problems are assigned and will often be discussed in class. These cases and advanced problems will help students learn to apply finance methods and techniques.

Articles from *The Wall Street Journal* will be placed on Blackboard for you to read before each class, and they will be discussed at the next class meeting. The participation grade encompasses discussion of these articles in class.

## EVALUATION AND GRADING:

### Cases:

There are a total of three cases. One is an in-class discussion case. The other two are group case write-ups.; case write-up should be no longer than *four* pages. This is the maximum page limit inclusive of exhibits (such as tables, charts and figures).

In addition to the write-up, a cover page should be provided that includes the name of the case, student name(s), the class (MBA 707.51 – Financial Management), the term (Fall or Spring 20XX) and the date.

Also, please provide another page (the last page of the write-up) that provides an assessment of group members' contributions.

The recommended solution must be based on the available data in the case (with the exception of commonly known factual data) and address the decision and/or policy issues facing the firm. Other specific instructions will be provided in class or on the last page of the syllabus where case questions are provided. Please answer the questions provided on a question-by-question format as these questions are numbered.

The grades on the case write-ups will be based on the ability to provide a feasible solution, one that is also supported from the facts of the case, and one that has a solid financial foundation. In addition, the cases will be graded on grammar, spelling, punctuation, format and general appearance of the case write-up.

In an effort to have objective evidence of each member's contribution for the group case, it is strongly suggested that all team members work the case separately prior to meeting with the team. Group members should also keep a record of all the work done by each member. If a group is unable to make a decision on each member's contribution, the written documentation should be attached for me to evaluate. My decision will be final. The team should consist of no more than three students.

The write-ups are due at the beginning of class on the date when it is due. Late write-ups will not be accepted. In addition to submitting the hard copy in class, please email the case to me. Be sure that the submitted file is in MS Word format. The electronic copy of the case will be marked with my comments and returned to group members. Be sure to copy your Excel spreadsheet into the Word document. I would also recommend that you also email your Excel spreadsheet to me so that I can follow your calculations if needed. When submitting the case files, please label them alphabetically using your last names. For example, Case 1 by students Adams, Smith and Jones should be labeled as Adams\_Jones\_Smith\_Case1.

#### Exams:

In addition to the cases, there will be two midterm exams and a final exam. The midterm exams and final exam will likely have multiple choice questions to test basic knowledge and comprehension of principles and concepts. Open-ended problems will be used mainly to see if students can apply the principles and concepts for solving problems, analyzing situations, and evaluating alternatives. The final exam will cover topics following Exam 2 and also selected topics from earlier in the semester.

There are no makeup exams. Students who contact me prior to the exam and have a legitimate reason for missing the exam may have the weight of the missed exam placed on the final exam. Students can take an early exam by notifying me at least 48 hours in advance of the regularly scheduled exam. Any request for special accommodations such as extra time to take exams must come through the Office of Disability Services with the appropriate paperwork. For more information, please visit <http://ods.dept.uncg.edu/services/>.

#### Participation and Attendance:

A class participation grade is part of the overall class grade. Participating in class offers students the opportunity to learn from the diverse experiences and knowledge of colleagues. The participation will be based on the student's involvement in the class discussions including assigned cases. An "A" grade for participation requires frequent contribution and insightful comments, while a "B" grade reflects participation and useful comments. Students who are not proactive in discussions or who are unprepared to actively participate will not receive a "B" grade or better.

Attendance is expected in this class, and therefore, the instructor will keep an attendance record. The first step towards having first-rate participation is for students to be present in class. Missing a class will reduce the participation grade by 5- 10 points per class. The student is responsible for any announcements made during class even if the student is absent.

Although a student's attitude is not explicitly in the participation grade, it may be considered in the determination of the final grade. Discourteous and/or unprofessional behavior to me and/or fellow students may adversely affect a student's grade. The amount of the grade reduction is at my discretion.

The cases, mid-term exams, final exam, and participation and attendance will be weighted as follows:

Exam 1	15%
Exam 2	15%
Final Exam	20%
Case (Part I)	20%
Case (Part II)	20%
Participation and Attendance	<u>10%</u>
Total	100%

The grading scale for assigning final grades is as follows:

<u>Letter Grade</u>	<u>Numerical Score</u>	<u>Letter Grade</u>	<u>Numerical Score</u>
A	92-100	B-	80-81.9
A-	90-91.9	C+	78-79.9
B+	88-89.9	C	70-77.9
B	82-87.9	F	0 – 69.9

Once everything is taken into consideration, the numerical score is rounded no more than one-half point to determine your letter grade. Once final grades are submitted, I will not change grades based on subjective considerations or re-grade old exams or cases.

## **ACADEMIC INTEGRITY AND STUDENT CONDUCT POLICIES**

Each student is required to sign the Academic Integrity Policy on all major work submitted for the course. In addition, adherence to the Academic Integrity Policy (<http://academicintegrity.uncg.edu/complete/>) is expected and required of all students for all exams, cases, and other assignments. Failure to abide by this policy will result in disciplinary action.

## **ADDITIONAL REQUIREMENTS**

The Bryan School has adopted expectation guidelines for faculty and students which can be found at [http://bae.uncg.edu/assets/faculty\\_student\\_guidelines.pdf](http://bae.uncg.edu/assets/faculty_student_guidelines.pdf). We will adhere to these guidelines.

## **Tentative Schedule**

### **January 16**

#### **Ethics in Financial Management**

Reading: Chapters 1 and 2

Reading: Morck, Randall. 2008. "Behavioral Finance in Corporate Governance: Economics and Ethics of the Devil's Advocate." *Journal of Management and Governance* 12, no. 2: 179-200. To find this article, you can go online to the Jackson Library (library.uncg.edu), search the Journal A – Z list, find the journal and issue, and download the article.

#### **Review of Financial Analysis**

Read Chapter 3 and Appendix; this should be a review from MBA 702 (class discussion focused on case)

Problems: A1, A2, Appendix Review

In-Class Group Case Discussion: (Ratios Tell a Story (2003) --Darden Case UVA-C-2202)

### **January 23**

#### **Time Value of Money**

Reading: Chapter 4

#### **Time Value of Money**

Chapter 4 Problems: A3, A4, A9, A11, A13, A22, A24, A26, B6, B9, B10, B16, B21, B29, B31, B32

### **January 30**

#### **Time Value of Money Continued . . .**

Chapter 4 Problems: A3, A4, A9, A11, A13, A22, A24, A26, B6, B9, B10, B16, B21, B29, B31, B32

#### **Working Capital: Liquidity Management; Accounts Receivable; Financial Forecasting**

Reading: Chapters 22: Section 22.1, 22.2, 22.3 (skip Float Management); 22.4; Chapter 23: Section 23.1, 23.2 (skip Credit Scoring Models); 23.3; Chapter 24 (Section 24.3)

### **February 6**

#### **Working Capital Continued . . .**

Chapter 22, 23, and 24 Problems: Chapter 22: A3, A10, B11; Chapter 23: A1, B1, B2, B8; Chapter 24: B1, B4

### **February 13**

#### **Exam 1: 1<sup>st</sup> half of class**

#### **Valuation of Bonds and Stock**

Reading: Chapter 5

### **February 20**

#### **Valuation of Bonds and Stock Continued . . .**

Chapter 5 Problems: A5, A6, A10, A12, A14, B5, B7, B11, B18, B20

#### **Risk and Return: Stocks**

Reading: Chapter 6

Problems: A2, A3, B10, B12, B14

**February 27**

**Risk and Return: Stocks Continued . . .**

Chapter 6 Problems: A2, A3, B10, B12, B14

**Risk and Return: Asset Pricing Models and Capital Market Efficiency**

Reading: Chapter 7, 15 (pp. 441-455 only)

**March 6**

**Risk and Return: Asset Pricing Models and Capital Market Efficiency Continued . . .**

Chapter 7 Problems: A4, A8, B1, B5, B8, C4

Reading: Applying the Capital Asset Pricing Model (Darden Note UVA-F-1456)

In-Class Problem Analysis: Risk and Return Practice Problem (Excel spreadsheet on Blackboard)

**Cost of Capital**

Reading: Chapter 8

**March 20**

**Cost of Capital Continued . . .**

Chapter 8 Problems: A1, A2, A6, A8, A9, B6, B7 (assume annual coupon payments), B10

**March 27**

**Exam 2: 1<sup>st</sup> half of class**

**Business Investment Rules**

Reading: Chapter 9

**April 3**

*Worldwide Paper Company Case Write-up Due (Part I: Calculating the Cost of Capital)*

**Business Investment Rules Continued . . .**

Chapter 9 Problems: A4, A8, B6, B9, B10, B17

**Capital Budgeting Cash Flows**

Reading: Chapter 10

In-Class Problem Analysis: Perma-Filter Co. and Jip-Sum Corp. (on Blackboard)

**April 10**

**Capital Budgeting Cash Flows Continued . . .**

Chapter 10 Problems: A6, A8, A11, B5, B7, B13, B19

**Options**

Reading: Chapter 12

Problems: Chapter 12: A3, A6, B3, B4

**April 17**

*Worldwide Paper Company Case Write-up Due (Part II: Capital Budgeting)*

**Options Continued . . .**

Problems: Chapter 12: A3, A6, B3, B4

**Capital Structure**

Reading: Chapter 17 (skip Sections 17.6, 17.7)

**April 24**

**Capital Structure Continued . . .**

Problem: B1, B3, B11

**May 1**

**Final Exam (3:30 – 6:30 p.m.)**

## Case Questions

### Worldwide Paper Company-- Darden Case UVA-F-1372 (Rev. Sept. 8, 2010)

#### Important Points

1. Prescott did not include inflation in his analysis (see paragraph 3, page 2 of the case). Assume for your analysis that Prescott applied a 2% annual inflation rate; assume that the base year for inflation is 2008, and that the 2% inflation rate applies to relevant cash flows occurring after 2008.
2. Assume that the capital outflows are already in nominal terms.
3. Please use the year-by-year tabular method shown in Table 10-3 on pp. 273-274 of the textbook.

#### Part I: Cost of Capital Case Questions

1. Calculate the after-tax cost of debt capital. Be sure to explain the reason for each of the inputs in the model you decide to use.
2. Calculate the cost of equity capital using the best method (given the information provided). Be sure to explain the reason for each of the inputs in the model you decide to use.
3. What are the weights attached to the debt and equity component costs used to estimate the weighted average cost of capital? Please show the calculation of the correct weights and the reason for the inputs.
4. What is your estimate of the weighted average cost of capital based on your answers to #1 - #3?

#### Part II: Capital Budgeting Case Questions

1. Calculate the net investment outlay(s). Please explain your calculations.
2. Calculate the net operating cash flows? Please explain your calculations.
3. Calculate the net salvage value. Please explain your calculations.
4. What is the NPV, IRR and MIRR (based on the WACC from our discussion of Part I of the case)? Please explain your calculations. Would you select the project? Why or why not?