MEETING TIME AND PLACE

MBA 707.51, Financial Management (3 Credit Hours)
2:00 pm – 4:50 pm on Thursdays, Bryan School Bldg., Room 205

PREREQUISITES

MBA 701 (Quantitative Analysis for Decision Making); MBA 702 (Financial and Managerial Accounting)

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 (preferred method of communication)
Office Hours: 12:30 pm – 1:45 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


Darden Business Publishing. The assigned cases and notes/readings for in-class discussion analysis quizzes that can be purchased and downloaded online at: https://store.darden.virginia.edu/. Some cases and notes 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 discussion and for in-class individual case analysis and quizzes.

Assigned Reading: 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), 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 because problems will be solved using the financial and statistical functions in Excel.
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 some lecture 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 and #2, all others will have assigned problems from the textbook chapters. You will have an opportunity to ask questions about these problems in class, and the instructor’s manual with the solutions is available on Canvas.

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

EVALUATION AND GRADING

In-Class Cases, Financial Analyses, and Risk and Return Problems:

In-class finance cases, risk and return problems, and a group financial analysis write-ups are assigned. The finance cases are assigned throughout the semester for in-class discussion. The cases can be purchased from Darden Business Publishing and the tentative schedule is shown at the end of the syllabus. The in-class case can be prepared individually or as a group. While the solution is not submitted for a grade, the exams will include questions and problems related to the case.

The risk and return exercise is assigned along with Chapters 6 and 7 in the textbook (see Home Depot, the risk and return practice problem) in the tentative schedule. The solution to this problem will be discussed in class. In addition, another practice risk and return problem (Ford Motor Company) is assigned which is a similar type
of problem. This problem is to be completed outside of class and the solution will be provided. These problems will be the basis for an assessment of learning on an exam.

The financial analysis is a group write-up case The case write-up must be no longer than four pages inclusive of exhibits (such as tables, charts and figures). The team should consist of no more than three students. You are free to form your own teams and should work to form a team within the first few classes.

There are specific directions you need to follow for the financial analyses. In addition to the write-up itself, a cover page should be provided that includes the name of the company, student names, the class (MBA 707.51 – Financial Management), the term (Fall or Spring 20XX) and the date. Please provide an assessment of group members’ contributions on the last page of the write-up.

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

The grades on the case write-up will be based on the ability to provide a feasible solution, one that is also supported from the facts as given, and one that has a solid financial foundation. In addition, you will be graded on grammar, spelling, punctuation, format and general appearance of your case write-up. The financial analyses questions are shown on the last page of the syllabus; you should directly refer to these questions when doing the case write-up.

In an effort to have objective evidence of each member’s contribution for the financial analyses, it is strongly suggested that all team members work the questions 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 write-ups are due at the beginning of class on the date when it is due. Late write-ups will not be accepted, or at my discretion, only with a substantial penalty. Please upload a copy of your write-up to Canvas, making be sure that it is in MS Word format. The electronic copy of the case will be marked with my comments and returned to team members. Be sure to copy your Excel spreadsheet into the Word document. I would also recommend that you upload your Excel spreadsheet to Canvas so that I can follow your calculations if needed.

Exams:

In addition to the cases, there will be two midterm exams and a final exam that are based on textbook and outside readings and problems, and also in-class cases assigned. The midterm exams and final exam will include multiple choice questions and short answer questions/problems to test basic knowledge and comprehension of principles, concepts and problems. The final exam will be cumulative.

There are no makeup exams. If you contact me prior to the exam period and I determine that you have a legitimate reason for missing the exam, you may have the weight of the missed exam placed on the final exam. Also, you may also be able to take an early exam by notifying me at least 48 hours in advance of the regularly scheduled exam subject to my approval. 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:

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 for class. The instructor reserves the right to reduce a student’s grade due to poor attendance. Conversely, a student’s grade may be enhanced by excellent attendance, particularly if it is accompanied by very good or outstanding participation. The evaluation of the quality of participation is the instructor’s decision, and it is not just based on quantity of participation. In addition, students are expected to have a positive attitude in the classroom. 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 the instructor’s discretion.

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

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Exam 1</td>
<td>25%</td>
</tr>
<tr>
<td>Exam 2</td>
<td>25%</td>
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<tr>
<td>Cumulative Final Exam</td>
<td>30%</td>
</tr>
<tr>
<td>Group Financial Analysis</td>
<td>10%</td>
</tr>
<tr>
<td>Participation and Attendance</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The grading scale for assigning final grades is as follows:

<table>
<thead>
<tr>
<th>Letter Grade</th>
<th>Numerical Grade</th>
<th>Letter Grade</th>
<th>Numerical Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td>92-100</td>
<td><strong>B-</strong></td>
<td>80-81.9</td>
</tr>
<tr>
<td><strong>A-</strong></td>
<td>90-91.9</td>
<td><strong>C+</strong></td>
<td>78-79.9</td>
</tr>
<tr>
<td><strong>B+</strong></td>
<td>88-89.9</td>
<td><strong>C</strong></td>
<td>70-77.9</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>82-87.9</td>
<td><strong>F</strong></td>
<td>0 – 69.9</td>
</tr>
</tbody>
</table>

Once all graded items are 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.

Drop Policy:

Please be aware that university has drop policies in place. If a student drops after the Schedule Adjustment period (refer to the [University Academic Calendar](http://sa.uncg.edu/handbook/academic-integrity-policy/)), NO refund or reduction of charges will be credited to the student’s account. However, if the drop in hours occurs before the end of the Late Registration and Schedule Adjustment period, the student is entitled to a full refund for the hours dropped. In addition, if a student drops the course after the withdrawal date, a WF (withdraw failing grade) will be recorded for the final course grade.

ACADEMIC INTEGRITY AND STUDENT CONDUCT POLICIES

You are required to sign the Academic Integrity Policy on all major work submitted for the course. In addition, adherence to the Academic Integrity Policy (http://sa.uncg.edu/handbook/academic-integrity-policy/) is expected and required of you for all exams, cases, and other assignments. Failure to abide by this policy will result in disciplinary action. In addition, the Bryan School has adopted faculty and student guidelines about
expected behavior. For more information on these guidelines is available at http://bae.uncg.edu/students-resources/. All academic infractions will be reported to the Dean of Students.

ADDITIONAL REQUIREMENTS

The Bryan School has adopted expectation guidelines for faculty and students which can be found at http://bryan.uncg.edu/wp-content/uploads/2012/08/faculty-student-guidelines.pdf. We will adhere to these guidelines.
Tentative Schedule

**January 19**
**Ethics in Financial Management**
Reading: Chapters 1 and 2


**Review of Financial Analysis**
Reading: Chapter 3 and Appendix; review from MBA 702 (class discussion focused on case)
Problems: A1, A2, Appendix Review

*In-Class Case Discussion: (Ratios Tell a Story (2013) -- Darden Case UVA-C-2350)*

**January 26**
**Time Value of Money**
Reading: Chapter 4
Chapter 4 Problems: A3, A4, A9, A11, A13, A22, A24, A26, B6, B9, B10, B16, B21, B29, B31, B32

**February 2**
**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)
Problems: Chapter 22: A3, A10, B11; Chapter 23: A1, B1, B2, B8; Chapter 24: B1, B4

**February 9**
**Working Capital Continued . . .**
Problems: Chapter 22: A3, A10, B11; Chapter 23: A1, B1, B2, B8; Chapter 24: B1, B4

*In-Class Case Discussion: JC Penney – Darden Case (UVA-F-1720 (Dec. 1, 2014))*

Reading: Working Capital: A Summary of Ratios by Industry (Darden Note UVA-C-2348)

**February 16**
**Exam 1: 1st half of class**

**Valuation of Bonds and Stock**
Reading: Chapter 5
Chapter 5 Problems: A5, A6, A10, A12, A14, B5, B7, B11, B18, B20

**February 23**
**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

March 2
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)
Chapter 7 Problems: A4, A8, B1, B5, B8, C4

March 9
Reading: Applying the Capital Asset Pricing Model (Darden Note UVA-F-1456)

In-Class Problem Analysis: Home Depot (Risk and Return) Problem (Excel spreadsheet on Canvas)

Practice Problem (Outside-of-Class): Ford Motor Co. Risk and Return (Excel spreadsheet on Canvas to be done AFTER in-class discussion of Home Depot, before next class period)

Cost of Capital
Reading: Chapter 8

SPRING BREAK

March 23
Cost of Capital Continued . . .
Reading: Chapter 8
Chapter 8 Problems: A1, A2, A6, A8, A9, B6, B7 (assume annual coupon payments), B10
Reading: The Cost of Capital: Principles and Practice (Darden Note UVA-F-1710)

In-Class Case Discussion: Phon-Tech – Darden Case (UVA-F-1161)

March 30
Exam 2: 1st half of class

Business Investment Rules
Reading: Chapter 9
Chapter 9 Problems: A4, A8, B6, B9, B10, B17

April 6
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 Canvas)
Chapter 10 Problems: A6, A8, A11, B5, B7, B13, B19
April 13
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 20
Worldwide Paper Group Case Analysis Due

Options Continued . . .
Problems: Chapter 12: A3, A6, B3, B4

Capital Structure
Reading: Chapter 17 (skip Sections 17.6, 17.7)
Problem: B1, B3, B11

April 27
Capital Structure Continued . . .
Problem: B1, B3, B11

In-Class (Strategy) Case Discussion: Euroland SA – Darden Case (UVA-F-1356) v1.1
Class wrap-up and review

May 4
Cumulative Final Exam (3:30 – 6:30 pm)
Questions for In-Class Case Discussion and Analysis Quizzes

JC Penney:
1. What do the liquidity ratios—Current, Quick, and Cash-to-Sales—reveal about JCP’s financial position for the eight quarters spanning Q1 2011 to Q4 2012?
2. What do the leverage ratios—Debt-to-Capital, Interest Coverage, and Cash-to-Debt—reveal about JCP’s financial position for the eight quarters spanning Q1 2011 to Q4 2012?
3. How has JCP managed its working capital accounts over the past eight quarters? Is there an opportunity to squeeze more cash from any of these accounts?
4. Assume that JCP will experience a $1.5 billion net income loss for 2013 and that a cash balance of $1.0 billion is required for JCP to operate efficiently. Create a pro forma sources and uses statement to estimate JCP’s external funding required by year-end 2013. Be prepared to recommend whether the debt or equity issuance is the better choice as the source for external funding. How will the stock price react to the announcement of a debt offering? An equity issuance?
5. What effect did Bill Ackman have on the company? Were his interests appropriately aligned with those of shareholders? How do you assess the board’s decisions regarding CEO appointments? Was Ron Johnson the right choice as the CEO?

Phon-Tech:
1. How does Phon-Tech currently use the hurdle rate?
2. Please estimate segment WACCs for Phon-Tech. As you do this, make careful note of points of judgment in the calculation.
3. Interpret Rick Phillips’ graph on page 6 of the case. How does the choice of constant vs. risk-adjusted hurdle rates affect the evaluation of Phon-Tech’s two segments? What are the implications for Phon-Tech’s resource allocation strategy?
4. Do you agree that “all money is green?” What are the implications of this view? What are the arguments in favor? Opposed?
5. Is Helen Buono right that management would destroy value if all of the firm’s assets were redeployed into only the telecommunications business segment? Why or why not? Please prepare a numerical example to support your view.
6. Has Products and Systems destroyed value? What evidence or illustration can you give to support your opinion?
7. What should Angela Estrada recommend?

Worldwide Paper:
1. What yearly cash flows are relevant for this investment decision? Do not forget the effect of taxes and the initial investment amount. Set up a by-year spreadsheet.
2. What discount rate should Worldwide Paper Company (WPC) use to analyze those cash flows? Show your calculations and justify your recommended rate and the assumptions that you used to estimate it.
3. What is the net present value and internal rate of return for the investment?

Euroland SA:
1. Prepare to discuss the strengths and weaknesses of the various measures of investment attractiveness as used by Euroland Foods. Will all the measures rank the projects identically? Why, or why not?
2. Please rank the 11 proposals on the basis of purely economic considerations. Then rank them a second time based on any other considerations that you believe are important. Are the rankings identical? Why, or why not?
3. Which set of projects should Wilhelmina Verdin recommend to the board of Euroland Foods for the capital budget for 2001?