MGT 326: Financial Management

Spring 2018

**Instructor:** Jim Cormier, MBA (Finance & Operations Management), UNM 2002

**Office:** GSM Rm 313

**Office Hours:** MW 3:30-5:25, TR 2:00-3:55 and by appointment

**Virtual Office Hours:** 8:00am-9:00pm, 7 days/wk

**Phone:** 277-3393

**Course Web Site:** *www.unm.edu/~cormierj*

**Email:** cormierj@unm.edu

**Administrative Assistant:** Vanessa Kline ASM Rm 2165, 2d Floor, East Wing, Ph. #: 277-3756

**Class Schedule:** MGT326-1: MW 5:30-6:45 ASM 1064 CRN: 30394

 MGT 326-3: TR 4:00-5:15 ASM 1065 CRN: 36655

 MGT 326-4: TR 12:30-1:45 ASM 1065 CRN: 30396

 MGT 326-5: MW 2:00-3:15 ASM 1064 CRN: 33878

**Required Materials:**

1. A financial calculator (see below).

2. Copies of lecture slides (see below).

3. Jonathan Berk, Peter DeMarzo and Jarrad Harford , 2011, *Fundamentals of Corporate Finance*, 2d Edition, ISBN: 978-0-13-214823-8 (Don’t sell this book if you plan on being a Finance major).

4. . Online course materials “myfinancelab”.

**Optional Materials:** Berk, DeMarzo & Harford, *Study Guide for Fundamentals of Corporate Finance*.

**Pre- and Co-requisites:** MGMT 202, STAT 145, MATH 180, ECON 106, CS 150. Although the catalogue does not list MATH 181 (Elements of Calculus II) as a prerequisite, MATH 181 is useful. We will make extensive use of economics principles, accounting principles and skills and statistics principles and skills during this course. I will review but not re-teach some of these principles and skills. You may have to review and relearn others on your own.

**UNM Catalog Description:** Principles and practices of funds management in private and public organizations. Sources and uses of short- and long-term funds, determination of capital requirements, obtaining capital, financial forecasting, lease or buy decisions, application of capital and cash budgeting techniques, choices involving risk. Prerequisites:

**Course Objectives:** This course is a BBA core course. The knowledge acquired in this course is vital for success in advanced non-finance and finance courses.

This is a survey course aimed at acquainting students with the basic financial decision-making vocabulary, fundamental valuation problems and methods, legal/tax/economic environment in which businesses operate, and general sources of business information.

The course is designed to explain the substantive parts of financial management. It is not an "investment" course, *per se*, although many of the skills taught can be used for financial investment purposes. The student will learn the theory of financial management and how to apply it in the business world. Although most of the descriptive material necessary for the study of financial management will be discussed, more emphasis will be placed on the analytical and quantitative methods developed in recent years. The underlying theme is the valuation of financial assets and business projects, whether they be investment projects or business policies such as extending credit to customers. The course is also intended to stimulate the interest in the field of finance as an area of further study and as an area of practice for a life-long career.

The ultimate goal is to develop critical thinking so as to evaluate dispassionately the merits and demerits of different policies and projects and of techniques of financial management. This analytical ability can be developed by solving and discussing problems. We will work many problems in class.

I recommend that you regularly read the *Wall Street Journal* or similar publication to increase your understanding of business and finance. Please feel free to ask any questions you have related to this reading.

**Specific Learning Objectives:**

1. Explain the purpose and components of interest rates and interpret the shape of an interest rate yield curve.
2. Define and compute rates of return and use them as decision criteria.
3. Explain the Time Value of Money (TVM) concept and perform all basic TVM calculations on a wide variety of single and multiple future cash flow scenarios.
4. Apply TVM concepts to bond and stock valuation.
5. Explain basic capital budgeting concepts and combine TVM skills with capital budgeting techniques to make decisions concerning capital projects.
6. Explain systematic and unsystematic risk and the Capital Asset Pricing Model and apply these concepts to perform fundamental portfolio management.

**Attendance:** You are expected to attend every class but I will not penalize you for absences. However, you are responsible for all material presented in class, whether you were present or not. This includes instructions on assignment standards and turn-in procedures. If you miss class, I will be glad to tell you what material you may have missed but I will not re-teach it. You are welcome to make up a missed class with other MGT 326 sections for which I am responsible.

In the event that more students wish to enroll for a particular section than there are spaces available, I will take a formal roll call during Week 2 and I will dis-enroll those students who are not in attendance in order to make room for those students still wishing to attend.

**Homework:** You will have several **homework** **problems** **assignments** to help develop your skills and to increase your understanding of course material. You may work together with other students on these assignments, but all assignments must be submitted on an individual basis. This does not mean that two or more students can work together to produce one document, make copies of that document, and turn them in as individual work. **All homework assignments must be hand written unless otherwise specified.**

Each assignment is due at the beginning of class on the day it is due but may not be collected until the end of class. You will receive less than full credit for late assignments. In the case of inclement weather causing UNM to delay morning classes, students thus affected must still turn in homework assignments on the day due but have until 5:00 pm to do so. Late homework assignments may be turned in to my office if I am there or at my Administrative Assistant’s office. I will not accept assignments by email unless I specify otherwise.

Your homework will be graded on a completion basis only. You will receive full credit for attempting to complete all of the problems (and you turned the assignment in on time) regardless of whether your answers are correct. To receive credit for any problem, you must show all necessary diagrams, equations and steps, as applicable. If you attempted less than all of the assigned problems or failed to make a reasonable attempt at any problem, you will receive less than full credit.

The requirements for each homework assignment and the scheduled due date can be found in the **Homework Assignments** file on the “Homework” page on the course website. Solutions to each assignment will be posted on the course website after the assignment due date.

Retain all graded homework assignments in case there is a discrepancy in computing your final grade.

Additionally, you are required to complete two research **projects**. Instructions for these projects will be posted on the course website. I will discuss these instructions in detail in class shortly after we cover the relevant material. You may work individually or together with one other student on these projects. Further details concerning this assignment will be announced in class.

### Examinations: There will be two tests during the main portion of the semester and one cumulative final exam during finals week. You may use a calculator and interest rate tables during these exams. I will provide all the equations that I think you will need. Full credit will be awarded for all correct answers and partial credit will be awarded for partially correct answers as I deem appropriate. There is a difference between being partially correct and being wrong. On multiple choice concept questions where more than one choice is correct I will award partial credit for all correct answers selected so long as no incorrect answers are selected. I will award partial credit on problems.

**Quizzes:** I mayadminister in class quizzesin order to check the pace of learning. Such quizzes will most likely be announced ahead of time and will count towards a portion of the grade of one of the scheduled tests or towards your homework score.

**Course Grade Computation:** Your course grade will be based on a point system (not a percent system). The point allocation for course work is:

|  |  |
| --- | --- |
|  | **Points** |
| Homework Problems | 10 |
| Research Projects | 15 |
| Test 1 | 20 |
| Test 2 | 25 |
| Final Exam | 30 |
| **Total Possible** | **100** |

In addition to the above point availability, each test will have an extra credit portion. Students attempting extra credit problems will not be penalized for incorrect answers. The exact nature of available extra credit points is determined based on class progress and is thus not specified ahead of time. Typically, an additional 10 to 20 extra credit points are available on each of the two tests and on the final exam. I also reserve the right to award extra credit points for work that I deem well above minimum expectations.

Course grades will be awarded according to the table below.

|  |  |  |
| --- | --- | --- |
| **Grade** | **Total Course Points** |  |
| A+ | 97+ |  |
| A | 93< X <97 |  |
| A- | 90< X <93 |  |
| B+ | 87< X <90 |  |
| B | 83< X <87 |  |
| B- | 80< X <83 |  |
| C+ | 77< X <80 |  |
| C | 73< X <77 |  |
| C- | 70< X <73 |  |
| D+ | 67< X <70 |  |
| D | 63< X <67 |  |
| D- | 60< X <63 |  |

 During the course of the semester, I will provide specific instructions regarding format and turn-in procedures for homework, the research project and other assignments. I reserve the right to penalize students who fail to follow these instructions. These penalties will be in the form of point reductions applied to the assignment in question.

 You have the right to challenge my grading of your coursework. Any such challenges must be made within one week from the day that the specific assignment or exam is returned to your section. Any challenge must include the basis of your reasoning and any support (from the text or other materials) for your position and must be based on your assignment or exam, not someone else's. Please refer to the UNM Pathfinder student handbook for further details.

**Incompletes, Drops, and Withdrawals:** Faculty members issue a grade of I**ncomplete** only when circumstances beyond a student’s control prevent the student from completing substantial amounts of coursework. UNM policy specifies what these circumstances are. An **Incomplete** will not be awarded simply because you are not achieving passing scores. If you are running into problems with the course, please contact your instructor as early as possible so you do not fall behind. If you need to **withdraw** from school or **drop** the course, please do it in a timely manner and notify your instructor via email. It is the **student’s responsibility** to initiate drops or withdrawals from this class and to make sure they are properly processed.

**Financial Calculator:** A financial calculator is essential in this class and in all advanced finance classes. I recommend that you use the Texas Instruments BAII Plus which cost approximately $40 and is sufficiently powerful for all calculations taught in this course. A scientific calculator is not a good substitute unless it also has financial functions. I will be providing in-class instruction throughout the semester on using the TI BAII Plus. You are on your own for learning how to use other calculators. Students planning on pursuing a major in finance may wish to purchase a more powerful and versatile financial calculator such as the TI BAII Plus Professional, which costs approximately $70. This calculator operates essentially the same as the TI BAII Plus but has many additional functions. These calculators are not just student tools. Millions are sold and they are widely used in the business world. Students may NOT under any circumstances share calculators on exams. Nor are students allowed to use cell phone financial calculator apps during exams. You are fully responsible for the proper functioning of your calculator during exams so please be sure to check your batteries before hand.

**Finance Learning Lab**: Details to be announced in class.

**Lecture Slides:** I will make all of the slides I present during class available to you to use for note taking. Slides for each class will be available for download from the course website no later than 10:00 pm the evening prior.

**How to do well in this course:**

* Come to class. Participate in class discussions. Take notes. Get to know others in the class.
* Do all the assigned readings, homework assignments, and suggested study problems and questions.
* **Stay current!** It is important that you review class notes on a routine basis in order to identify things you don't understand or may need help with. I recommend that you review your class notes at least once a week. Don't wait until the weekend prior to a test. That's not the best time to realize that you don't understand something.
* Come in during office hours or make an appointment to meet at my office whenever you're having difficulty or have questions you would like to discuss outside of class.
* Form or join and participate in a study group.
* Visit the Finance Learning Lab

**Email Response:** I will try to answer your emails on the day I receive them and no later than 24 hrs. after I receive them. If you do not get a response from me within 24 hrs., your message may have not made it through so please resend it.

**Special Services/Access to Education:** In accordance with University Policy 2310 and the Americans with Disabilities Act (ADA), academic accommodations may be made for any student who notifies the instructor of the need for an accommodation. It is imperative that you take the initiative to bring such needs to the instructor’s attention, as I am not legally permitted to inquire. Students who may require assistance in emergency evacuations should contact me as to the most appropriate procedures to follow. Contact Accessibility Resource Center at 277-3506 for additional information. If you need an accommodation based on how course requirements interact with the impact of a disability, you should contact me to arrange an appointment as soon as possible. At the appointment we can discuss the course format and requirements, anticipate the need for adjustments and explore potential accommodations. I rely on the Disability Services Office for assistance in developing strategies and verifying accommodation needs. If you have not previously contacted them I encourage you to do so. The UNM Office of Equal Opportunity (277-5251 or [www.unm.edu/~oeounm/](http://www.unm.edu/~oeounm/)) can provide information regarding accommodations and procedures for requesting them.

**Academic Integrity:**

Anderson School of Management faculty, staff and students commit to values of trust, honesty, integrity, and accountability. We will not tolerate academic dishonesty. By enrolling in any course at Anderson, the student accepts the Anderson Academic Honesty Code and affirms the following pledge: *I will not lie, cheat, fabricate, plagiarize or use any other dishonest means to gain unfair academic advantage.* Any violation of the code of conduct will be taken very seriously and appropriate sanctions will be applied. FOR FULL TEXT OF ANDERSON’S ACADEMIC HONESTY CODE, please visit<http://www.mgt.unm.edu/honesty>. You may also wish to review UNM Academic Integrity policies as outlined in the current university catalog and [UNM Pathfinder Student Code of Conduct § 2.4](https://pathfinder.unm.edu/code-of-conduct.html)

Cheating is expressly forbidden. Cheating includes copying from the homework, quizzes, exams or files of other students, copying from the solutions manual and turning the result in for credit, use of unauthorized material during exams, allowing others to complete homework or quizzes for you, or any other form of academic dishonesty. It also includes failing to report or allowing other students to cheat, and marking absent students as present if roll is taken. Any violation of the Anderson Academic Honesty Code of Conduct or the Student Code of Conduct will be taken very seriously and appropriate sanctions will be applied. Such sanctions may include a failing grade and possibly dismissal from UNM.

Also covered under this topic is behavior during the conduct of an exam. The specific issue concerns the amount of time allotted for the exam. It is imperative that all students be allowed the same amount of time. Any student attempting to continue to write on an exam after the allotted time has expired will be penalized.

**Gender Discrimination:**

In an effort to meet obligations under Title IX, UNM faculty, Teaching Assistants, and Graduate Assistants are considered “responsible employees” by the Department of Education (see pg 15 - <http://www2.ed.gov/about/offices/list/ocr/docs/qa-201404-title-ix.pdf>).   This designation requires that any report of gender discrimination which includes sexual harassment, sexual misconduct and sexual violence made to a faculty member, TA, or GA must be reported to the Title IX Coordinator at the Office of Equal Opportunity (oeo.unm.edu). For more information on the campus policy regarding sexual misconduct, see: <https://policy.unm.edu/university-policies/2000/2740.html>

**Courtesy and Consideration:** Freedom of speech and expression are fundamental values of a university. At the same time, students have a right to a learning environment free of disruptive behaviors in the classroom. All pertinent UNM policies, specifically the **UNM Respectful Campus Policy** apply to this class. Faculty members have a right and responsibility to inform students of behavior expectations in the classroom and to manage disruptive student behavior when it occurs. See [Faculty Handbook D75](http://handbook.unm.edu/policies/section-d/d75.html). Though no list of expectations or disruptive behavior can be exhaustive, you are expected to be respectful of faculty and one another, and engaged in the educational process. The following specific behaviors are prohibited:

-Talking when others are talking.

-Consuming food other than that authorized by your instructor.

**-**Entering or exiting the classroom while class is in session in a manner which disturbs the class. If you must enter or exit the class while it is in session, please do so unobtrusively and quietly.

**-**Using electronic devices in a manner that is distracting to other students or the instructor. We ask that you come to class and focus on what is going on, rather than being distracted by a phone, texting, or surfing the web. You can bring electronic devices to class because they may assist you in completing the various tasks (such as looking at the problems we are working) and allow others to contact you in case of an urgent need, but please use discretion.

-Sleeping.

-Attending class impaired by alcohol, marijuana or any other controlled or illegal substances.

-Capturing your instructor or fellow students on video without permission. You may take a photo of solutions and anything else presented on the board or the screens, but please do it in a manner that is not distracting.

- Engaging in any behavior that compromises the safety of others.

**Approximate Schedule:**

 The schedule shown below is a plan, not a contract or promise. To accommodate class discussions and real-world topics, we may spend more time on some topics and less on others, thus causing the schedule to change. Please note that the order of topics or exams listed below do not imply that it will occur on a specific day of the week (Mon/Tues or Wed/Thu). Please consult the **Home Work Problems Assignment** file on the course website for exact due dates of homework problems.

|  |  |  |  |
| --- | --- | --- | --- |
| **Week** | **Date** | Topic |  |
| 1 | 15-19 Jan | MLK Birthday Holiday (15 Jan)Course Intro/ Review Syllabus/ Review Bloom’s TaxonomyOverview of FinanceCh 5:Interest Rates |  |
| 2 | 22-26 Jan  | Ch 5 (continued)Ch’s 11&12: Risk & Return in Capital Markets |  |
| 3 | 29 Jan-2 Feb | Ch’s 11&12 (continued)Ch 4: Time Value of Money: Valuing Cash Flow Streams |  |
| 4 | 5-9 Feb | Ch 4 (continued) |  |
| 5 | 12-16 Feb | Ch 4 (continued) |  |
| 6 | 19-23 Feb | Ch 4 (continued) |  |
| 7 | 26 Feb-2 Mar | Ch 6: BondsTest 1 Pre-test Review |  |
| 8 | 5-9 Mar | Ch 6 (continued)Test 1 |  |
| 9 | 12-16 Mar | Spring Break (Woo Hoo!) |  |
| 10 | 19-23 Mar | Test 1 Post-test ReviewCh 6 (continued) |  |
| 11 | 26-30 Mar | Ch 6 (continued)Ch 7: Stock valuation |  |
| 12 | 2-6 Apr | Ch 7 (continued) |  |
| 13 | 9-13 Apr | Ch 13: The Cost of CapitalTest 2 Pre-test Review |  |
| 14 | 16-20 Apr | Test 2Test 2 Post-test ReviewCh 8: Investment Decision Rules |  |
| 15 | 23-27 Apr | Ch 8 (continued)Ch 9: Fundamentals of Capital Budgeting |  |
| 16 | 30 Apr-4 May | Ch 9 (continued) |  |
| 17 | 7-11 May | **Final Exams Week**Sec 1: Sec 3: Sec 4: Sec 5:  |  |