

STUART SCHOOL OF BUSINESS -- ILLINOIS INSTITUTE OF TECHNOLOGY

SPRING SEMESTER 2009

BUS 351 - 01

FINANCIAL MANAGEMENT AND DECISION-MAKING

MONDAY/WEDNESDAY 1:50 PM - 3:05 PM

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HOURS: MTR, 3:30 PM - 4:30 PM,

and by appointment.

Required Text: Ross, Westerfield and Jaffe, Corporate Finance, 8th Edition, McGraw-Hill Irwin, 2007.

Recommended Web Site: http://highered.mcgraw-hill.com/sites/0073105902/student_view0/index.html

(Contains Power Point Presentations, Multiple Choice Quizzes, Excel Templates, Videos, etc.)

COURSE DESCRIPTION

BUS 351: Financial Management and Decision-Making is an introductory course in corporate financial management, although many of the principles that you will study are valid not only for other business forms but also your personal financial management. The course begins by introducing some fundamental financial concepts and, later, it explores some financial policy issues. The fundamental concepts include accounting and financial terminology, the time value of money, financial instruments, and the risks associated with investment choices. The financial policy issues include capital structure, investment evaluation, and working capital management. Prerequisites are a working knowledge financial accounting, managerial accounting and statistics (principally regression).

LEARNING OBJECTIVES

Upon completion of this course, the student should be able to (1) use time value of money concepts to find present values, future values and annuity amounts; (2) determine after-tax cash flows arising from an investment opportunity and evaluate the cash flows using various decision models; (3) understand the reasons that companies issue debt versus equity (and be able to value debt and equity offerings); and (4) have a basic knowledge of working capital management.

METHODOLOGY

The primary instructional technique that I employ in this course is the lecture format, combined with discussion of the assigned problems and cases. On occasion, students will be required to present their solutions to problems or cases to the rest of the class. To obtain the maximum benefit from each class, the student should complete the relevant reading and homework assignments **prior to class**.

CALCULATOR

It would be advisable to invest in a financial calculator as soon as possible. I personally use an **HP 10B** (and the updated version, the **HP 10B-II**). The advantage of obtaining the same calculator that I use is that I can help you learn to use it (and the value of my **HP** stock will increase). A financial calculator will make taking my exams much easier since you won't have to solve polynomial equations in your head.

EVALUATION PROCEDURES

Your grade will be determined by your performance on two hourly exams, a final exam, four case/problem set assignments, and class attendance (+ or -). The weights assigned to these metrics will be: 20% for the cases and either: (1) 40% for the hourly exams and 40% for the final exam; or (2) 20% for the second exam and 60% for the final exam; or (3) 80% for the final exam, whichever gives the student the best course grade. (Cases/problem sets may be done in groups of two to four only. One submission may suffice for the entire group).

Americans with Disabilities Act (ADA) Policy Statement

Reasonable accommodations will be made for students with documented disabilities. In order to receive accommodations, students must obtain a letter of accommodation from the Center for Disability Resources (CDR) and make an appointment to speak with me as soon as possible. My office hours are listed on the first page of this syllabus, which is also posted on Blackboard. The CDR is located in the Life Sciences Building, room 218, 312-567-5744 or disabilities@iit.edu.

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COURSE OUTLINE

<u>Meeting #</u>	<u>Date</u>	<u>Topic</u>	<u>Read</u>	<u>Do Problems</u>
1	Jan. 21 (W)	Introduction to Corporate Finance And Statement Analysis	Chapter 1	None
2	Jan. 26 (M)	Accounting Statements and Cash Flow	Chapter 2	2: 4, 5, 13, 18, 27.
3	Jan. 28 (W)	Net Present Value	Chapter 4	4: 4, 5, 6, 7, 9, 10, 14, 15.
4	Feb. 2 (M)	Net Present Value, continued	Chapter 4	4: 16, 22, 24, 25, 29, 33, 50.
5	Feb. 4 (W)	Net Present Value, continued	Chapter 4	4: 29, 33, 50, 55, 60, 62.
6	Feb. 9 (M)	Valuing Bonds and Stocks	Chapter 14 Chapter 20	14: 1, 2, 3; 20: 1, 2, 6.
7	Feb. 11 (W)	Valuing Bonds and Stocks, continued	Chapter 5	5: 2, 3, 4, 8;
8	Feb. 16 (M)	Valuing Bonds and Stocks, continued	Chapter 5	5: 10, 14, 20, 21.
9	Feb. 18 (W)	Valuing Bonds and Stocks, continued	Chapter 5	5: 25, 28, 32, 38.
10	Feb. 23 (M)	Catch-up and Review First Case/Problem Set due at beginning of class	Prior Work	Whatever you need to do.
11	Feb. 25 (W)	First Hourly Examination	Prior Work	On the exam.
12	Mar. 2 (M)	Introduction to Investment Decision Rules	Chapter 6	6: 4, 8, 12, 13.
13	Mar. 4 (W)	Investment Decision Rules, continued	Chapter 6	6: 16, 25, 27.
14	Mar. 9 (M)	Introduction to Capital Budgeting	Chapter 7	7: 2, 6, 8, 10.
15	Mar. 11 (W)	Capital Budgeting, continued	Chapter 7	7: 16, 18, 21, 23,
*	IIT Spring Break			
16	Mar. 23 (M)	Capital Budgeting, continued	Chapter 7	7: 28, 34, 37.
17	Mar. 25 (W)	Risk Analysis and Real Options in Capital Budgeting Decisions	Chapter 8	8: 4, 5, 6, 9.
18	Mar. 30 (M)	Risk Analysis, continued	Chapter 8	8: 17, 18, 19.
19	Apr. 1 (W)	Risk Analysis, continued	Chapter 8	8: 29, 30.
20	Apr. 6 (M)	Catch-up and Review Second Case/Problem Set due at the beginning of class	Prior Work	Whatever you need to do
21	Apr. 8 (W)	Second Hourly Examination	Prior Work	On the exam.

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COURSE OUTLINE, continued

<u>Meeting #</u>	<u>Date</u>	<u>Topic</u>	<u>Read</u>	<u>Do Problems</u>
22	Apr. 13 (M)	Capital Market Theory	Chapter 9	9: 1, 2, 3, 4, 7.
23	Apr. 15 (W)	Capital Market Theory, continued	Chapter 9	9: 23, 25, 27, 28.
24	Apr. 20 (M)	The Capital Asset Pricing Model Third Case/Problem Set due at the beginning of class	Chapter 10	10: 2, 3, 9, 11, 13.
25	Apr. 22 (W)	CAPM, continued	Chapter 10	10: 17, 22, 24, 31, 31, 39.
26	Apr. 27 (M)	Introduction to the Cost of Capital	Chapter 12	12: 1, 2, 3, 5, 8.
27	Apr. 29 (W)	Cost of Capital, continued	Chapter 12	12: 11, 12, 13, 14.
28	May 4 (M)	Cash Management	Chapter 27	27: , 4, 6, 7, 9, 10, 19.
29	May 6 (W)	Credit Management Fourth Case/Problem Set Due at the beginning of class	Chapter 28	28: 3, 4, 7, 15, 18.
30	May 8 (F) (TBA)	Catch-up and Review	Prior Work	
31	May 11 - 16	Final Examination	Prior Work	On the exam.

(Consult the University-Wide Examination Schedule for the date and time of the Final Examination)

Required Cases/Problem Sets

1. Selected Time Value of Money Exercises (Twombly Problem Set). Answer Questions on the Problem Set. These must be done individually, without consultation.
2. TBD
3. Stock Price (and Return) Case (**Twombly**). Answer the questions in the case.
4. TBD