GEORGETOWN UNIVERSITY
SCHOOL OF BUSINESS ADMINISTRATION

FINC 150: FINANCIAL MANAGEMENT
SUMMER 2017

SYLLABUS

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Course Topics: An introductory graduate course in financial management that teaches skills required of a treasurer working at a major exchange-listed industrial company. We discuss capital budgeting, cost of capital, capital structure, dividend policy, working capital, option theory, basic investment and portfolio theory, reading and analyzing financial statements, among other related topics. Course is intended to be a complete introduction to finance for those not going on in the discipline; at the same time it is supposed to be sufficiently comprehensive and rigorous so that students can be competitive in more advanced finance courses.

Course Objectives:

- Understand capital budgeting
- Understand how the cost of capital is really used in practice
- To determine whether there really is an optimal capital structure
- To determine whether dividends should even be paid
- To determine how much working capital a firm should have
- Apply analytical reasoning and quantitative analysis skills developed in past math, statistics, and economic theory courses to complex problems in corporate financial analysis.
- Enhance verbal and writing skills through extensive interaction in classroom sessions and through writing nontrivial blue book essay exams.

Materials Needed:

You will be provided with a page class-packet which we will go through.

Grading: half midterm, half final exam

Exam Format: The questions are essay and problem in form.

Exam Redress: If you are displeased with the manner of grading essays, you are simply to write up your complaint, indicating why you think your answer is correct. Submit your writeup together with original exam and I will try my best to see it your way. You are free to
verbally argue your case before submitting it in writing. You must redress requests within one week of exam hand back. For practical reasons, the final is not redressable.

**Makeup Exams:** The exam date will be given to you. Please plan your life to avoid missing exams. If you are ill prior to a scheduled exam, you must call me ahead of time indicating your condition. Go to the student health service to obtain written verification of your inability to take the exam. No other excuse is acceptable to miss the exam. Do not come later after the exam indicating you did not make it; you will receive a zero for that exam. Any makeup exams are typically given at the end of the MBAD semester, sometimes as a combined final. You will need a full medical excuse to take any makeup exam. **THUS, ALL MAKEUPS (WITH PROPER EXCUSE) OCCUR AT THE END OF THE COURSE.**

**SCHEDULE OF CLASSROOM ACTIVITY**

**MODULE 1: CAPITAL BUDGETING AND PRESENT VALUE**

Using present value theory, we cover net present value, internal rate of return, payback period, modified internal rate of return, and capital rationing. Also we show financial planning applications using future value theory.

**MODULE 2: COST OF CAPITAL**

The firm’s cost of capital is the long term cost of money. The firm obviously wants to make more than the cost of capital. In doing so, the stock price rises. We cover market-weighted, book-weighted average cost of capital. We use the dividend growth model, CAPM, and the bond plus premium methods for determining the cost of equity capital.

**MODULE 3: CAPITAL STRUCTURE**

A firm must limit the amount of debt in the balance sheet to assure access to future funds. Equity is also available but at a very high cost. Some say there is an optimal amount of debt and equity that should be used; others say it does not matter. We discuss the theoretical controversy while showing the practicality of computing the degrees of financial leverage, operating leverage, and total leverage. We discuss the trade-off between financial risk and the profit multiplier.

**MODULE 4: SHOULD A FIRM PAY DIVIDENDS**

Should a firm pay any dividend? If so, how much should it be? We cover all the dividend theories.

**MODULE 5: WORKING CAPITAL ANALYSIS**

Companies go out of business first due to not keeping track of the scheduling of inflows and outflows of cash. For a small firm, the maintenance of adequate liquidity is more important than profits.
MODULE 6 FINANCIAL STATEMENT ANALYSIS

Reading financial statements; performing ratio analysis to determine financial condition.

MODULE 7: INVESTMENT AND PORTFOLIO THEORY

We introduce you to basic risk and return notions of investing. Systematic, non-systematic risk, beta, capital market line, security market line, CAPM, notions of investing in a portfolio vs investing in a few stocks.

MODULE 8: OPTION THEORY

An introduction to the basics of option pricing. Intrinsic value, speculation premium, Black Scholes, determinates of the option price, reading quotes and trading options. Derivatives is a vast subject into which we can just get you started.