

Fayetteville State University
School of Business and Economics
Department of FEEM
Finance 320 – Financial Management

FSU Policy on Electronic Mail: Fayetteville State University provides to each student, free of charge, an electronic mail account (username@uncfsu.edu) that is easily accessible via the Internet. The university has established FSU email as the primary mode of correspondence between university officials and enrolled students. Inquiries and requests from students pertaining to academic records, grades, bills, financial aid, and other matters of a confidential nature must be submitted via FSU email. Inquiries or requests from personal email accounts are not assured a response. The university maintains open-use computer laboratories throughout the campus that can be used to access electronic mail.

Rules and regulations governing the use of FSU email may be found at
<http://www.uncfsu.edu/PDFs/EmailPolicyFinal.pdf>

II. Course Description: A continuation of FINC 311 emphasizing the use of analytical tools dealing with capital budgeting, capital structure, dividend policy, cost of capital, with consideration of long-term financing, expansion, and problems of small business in connection with decision making techniques. Prerequisite: FINC 311

III. Disabled Student Services: In accordance with Section 504 of the 1973 Rehabilitation Act and the Americans with Disabilities Act (ACA) of 1990, if you have a disability or think you have a disability to please contact the Center for Personal Development in the Spaulding Building, Room 155 (1st Floor); 910-672-1203.

IV. Textbook:

Gitman, Lawrence J., Principles of Managerial Finance, 12th Edition, Pearson Prentice Hall (2009)
ISBN: 978-0-321-52413-3

The recommended calculator for the class is the Texas Instruments BA-II Plus. It is one of the cheaper financial calculators on the market and is used in other finance courses. It is often cheaper at stores such as Wal-Mart and Best Buy than it is at the university book store. You may use another calculator if you wish. However, no time will be devoted to demonstrating various brands of calculators, so you are on your own if you choose a calculator other than the BA-II Plus.

This is a web-enhanced course and requires students to access the course's Blackboard site.

V. Student Learning Outcomes:

Upon completion of this course, students will be able to:

1. Understand the terminology of capital budgeting, key motives for capital expenditures, and the importance of opportunity costs and sunk costs in capital budgeting.
2. Calculate the incremental after-tax cash flows associated with a capital budgeting project.
3. Apply sophisticated capital budgeting techniques.
4. Explain several methods of dealing with uncertainty in capital budgeting decisions.
5. Understand the key assumptions that underlie the cost of capital.
6. Calculate the cost of each component source of capital and the weighted average cost of capital.
7. Explain leverage and how it affects the operating and financial performance of the firm.
8. Understand the tradeoffs involved in making capital structure decisions.
9. Understand the factors involved in making dividend policy decisions.
10. Discuss the tradeoffs involved in managing working capital and describe how to optimally manage the cash conversion cycle to maximize return and minimize risk.
11. Explain the various short-term financing options available to both small and large businesses.

VI. Course Requirements and Evaluation Criteria:

a. Grading scale and interpretation of letter grades:

Grading symbols and numerical equivalents:

| | |
|---|------------|
| A | 92 to 100% |
| B | 83 to 91% |
| C | 73 to 82% |

| | |
|---|---------------|
| D | 64 to 72% |
| F | 63% and below |

b. Attendance Requirements:

1. Students are advised to attend all classes. A record of attendance will be kept.
2. Students are responsible for finding out from classmates what went on in a class in which they were absent.
3. Note that mere absence from class does not constitute withdrawal. It is your responsibility to complete the necessary paperwork if you intend to withdraw from the class.

c. Graded Assignments:

1. Exams: There will be three semester exams and a final exam. The final exam is comprehensive. Exams are designed to test your understanding of facts, concepts, and problem-solving methods. If a student thinks that the instructor has made a mistake in grading an exam, the student has up to one week after the exams are returned to bring this to the instructor's attention. Students may bring one 4 by 6 inch index card and write anything they like on both sides of the card for every exam. No magnifying devices may be used during the exams. No cell phones, pagers, or similar devices may be used, even if they have a calculator function.

2. Regular homework problems and questions: Homework assignments are provided to help students master the material and to prepare them for exams. Assignments will consist mostly of questions and problems. The questions and the subsequent class discussions give students the opportunity to exercise and enhance their written and oral communications skills. Answer all questions in complete sentences and in your own words. Do not simply copy or quote directly from the text. Each student is expected to work through all assigned problems and actively participate in homework problem-solving sessions. It is not possible for a student to obtain a passing grade in the course without having gained substantial understanding of the material contained in the homework problems and questions. The instructor will periodically ask for homework submissions to be counted toward the final grade. Most likely, one assignment per chapter will be collected, but if circumstances dictate more than one could be collected from a given chapter. Students will never know exactly when homework will be collected, so the only way to ensure a perfect homework score is to do all assignments before the class in which they are due. To receive credit for an assignment, papers must be turned in at or before the beginning of class time. Students who will be absent from class should post their homework papers to the discussion board on Blackboard by the beginning of class time, give the paper to a classmate to submit for them by the beginning of class time, or mail the paper to the office of the department of managerial economics and finance office, postmarked by the due date. Homework assignments due at the next class meeting will typically be listed on Blackboard a few hours after the class meeting in which the assignment is made, so students can learn what the next assignment is if they absent from class. Each homework assignment collected will be graded on a scale of 0 to 100. More emphasis is put on effort in determining homework grades, while the exams emphasize performance. Students should keep all homework papers. If the student believes that the instructor has made a mistake on the homework grade, the student must present the graded assignments to get additional credit. Late homework assignments are not accepted for any reason.

3. Special homework assignments: in addition to the regular homework assignments discussed above, one or more special homework assignments will be assigned in the class. Unlike the regular assignments, the grading emphasis on the special assignments will be on performance and not effort. The special homework assignments will be graded on a scale of 0 to 100.

4. Alternative homework assignment: if you do not turn in a homework assignment on time, you may complete an alternative assignment to receive full credit. This opportunity does not apply to special homework assignments. This applies regardless of your reason for failing to turn in the original assignment on time. The alternative assignment is to complete a summary of an article from the financial press that relates to the material that is contained in the chapter that the missed homework assignment was drawn from. This summary should be posted to the Blackboard discussion board. In the following paragraph I will provide guidelines for the summaries. Failure to follow the guidelines will result in a low grade for the summary.

Summaries should be submitted to the course discussion board on Blackboard. Put only your last name and the chapter number of the summary in the subject line of your post. Article summaries should be at least 200 words in length. Use articles from the business and financial press, not online dictionaries or other miscellaneous websites. The article can be from *Business Week's* website or Reuter's, for instance, but not investopedia.com. The *Wall Street Journal* is always acceptable. No blogs, unless I pre-approve them. You can certainly google, but that doesn't mean that whatever pops up will be acceptable. Summaries should be in your own words. More recent articles are preferred, but particularly relevant older articles are acceptable. Mention the name of the article, the

source, the author, and the date and page(s) of appearance at the top of the summary. Provide the URL for internet articles. Articles must be closely related to material the class is currently studying. To avoid submitting irrelevant articles, study the material in the chapter a bit before looking for an article. That way you'll have a better idea of whether the article is really related to the chapter or not. You may find a couple of good financial websites to look at under external links. Newspapers like the *Wall Street Journal* and *The Financial Times* and magazines like *Forbes*, *Fortune*, and *CFO Magazine* can be good sources of articles also. Databases available through the Chesnutt library have articles from publications such as the *Wall Street Journal* with a one or two day delay. Points will be deducted for posting irrelevant or marginally relevant articles, too much copying from the article, presenting an old article that is not especially relevant when newer articles are clearly available, careless spelling, grammar, and writing errors, and any other violations of these guidelines. The summaries must be posted to the Blackboard discussion board by the beginning of class time on the day of the next exam following the missed assignment.

d. Value of Each Assignment:

| | |
|-----------------------------------|-----|
| First Exam..... | 30% |
| Second Exam..... | 30% |
| Third Exam..... | 30% |
| Final Exam..... | 30% |
| Regular Homework Assignments..... | 7% |
| Special Homework Assignments..... | 2% |
| Participation..... | 1% |

The lowest exam score can be dropped.

e. Policy on Missed or Late Assignments:

1. Students who are going to miss an exam due to an emergency must notify the instructor by phone or e-mail before the scheduled exam time (leave a message). In addition, official documentation of the student's university-approved excuse must be provided. If these criteria are met, a special make-up exam will be given within one week of the original test date.
2. Students who miss a regular homework assignment may complete the alternative assignment discussed above, but late submissions of the original assigned homework will not be accepted.

Student Behavior Expectations: The instructor will respect all students and will make every effort to maintain a classroom climate that promotes learning for all students. Students must accept their responsibility for maintaining a positive classroom environment by abiding by the following rules:

1. Students are expected to arrive to class on time, remain in class until dismissed by the instructor, and refrain from preparing to leave class until it is dismissed.
2. Student/teacher relationships, as well as relationships among peers, must be respectful at all times.
3. Students are not permitted to wear headphones or other paraphernalia that may be distracting to the classroom environment.
4. Students must refrain from any activity that will disrupt the class; this includes turning off cell phones and pagers.
5. Students are not permitted to use profanity in the classroom.
6. Students will not carry on private conversations while class is being conducted.

Consequences for Failing to Meet Behavioral Expectations: If a student consistently acts in a way that makes it difficult for other students to learn, then I will bring the problem to the student's attention by giving the student one notice. If the problem continues after the notice is given, the student will lose the 1 percentage point on their final grade that is allocated to participation. If there is a third instance, the student will be reported to the Dean of Students for disciplinary action according to the FSU Code of Student Conduct.

VII. Academic Support Resources: University College Learning Center

VIII. Course Outline and Assignment Schedule:

- Chapter 8: Capital Budgeting Decision Process
- Objectives:
- 1) Understand the importance of capital budgeting.
 - 2) Identify the relevant cashflows for capital budgeting projects.
 - 3) Demonstrate the ability to calculate incremental after-tax cashflows.

Chapter 9: Capital Budgeting Techniques
Objectives: 1) Understand the NPV method for evaluating capital projects.
2) Understand the IRR method for evaluating capital projects.
3) Compare the NPV and IRR methods.

Chapter 10: Risk and Refinements in Capital Budgeting
Objectives: 1) Understand how to select projects under capital rationing.
2) Demonstrate an understanding of mutually exclusive projects
3) Identify and understand the importance of real options.

Homework 2

Exam 1: Thursday, February 10th

Chapter 11: The Cost of Capital
Objectives: 1) Understand the logic of the weighted average cost of capital.
2) Identify the marginal cost of capital for an investment project.
3) Discuss the opportunity cost of internal common equity.

Homework 3

Chapter 12: Leverage and Capital Structure
Objectives: 1) Understand operating, financial, and combined leverage.
2) Discuss the target capital structure for the firm.
3) Understand how optimal capital structure is determined.

Homework 4

Chapter 13: Dividend Policy
Objectives: 1) Describe the various theories of dividend policy.
2) Discuss the factors influencing dividend policy.
3) Understand the rationale for share repurchases.

Homework 5

Exam 2: Thursday, March 24th

Chapter 14: Working Capital and Current Assets Management
Objectives: 1) Explain the importance of working capital management
2) Discuss the tradeoff between liquidity and profitability
3) Analyze credit terms offered by suppliers

Homework 6

Chapter 15: Current Liabilities Management
Objectives: 1) Explain the need for short-term financing
2) Explain how loan terms affect the cost of a loan.
3) Understand the most common sources of short-term financing.

Homework 7

Exam 3: Thursday, April 28th

Final Examination date: To be announced.

IX. Teaching Strategies: Several teaching strategies will be employed in the course, including lectures, class discussions, problem solving demonstrations, and presentation and discussion of material drawn from the financial press. Students are expected to take an active role in class discussions and problem solving sessions.

X. Bibliography:

Brealey, Richard A., Stewart C. Myers, and Franklin Allen, Principles of Corporate Finance, 2011, McGraw-Hill Irwin, New York, ISBN: 978-0-07-353073-4.

Copeland, Thomas E., and J. Fred Weston, *Financial Theory and Corporate Policy*, 3rd edition, Addison Wesley, (1988).

Damodaran, Aswath, *Corporate Finance: Theory and Practice*, 2nd Edition, John Wiley & Sons, (2001).

Ross, S., Westerfield, R., and J. Jaffe. *Corporate Finance*. 7th Edition, McGraw-Hill Book Co, (2005).