

## **MGT 326: Principles of Financial Management Fall 2015**

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

**Office:** GSM Rm 313

**Office Hours:** MW 2:00-5:25 and by appointment

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

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**Course Web Site:** [www.unm.edu/~cormierj](http://www.unm.edu/~cormierj)

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**Administrative Assistant:** Vanessa Kline ASM Rm 2165, 2d Floor, East Wing

**Class Schedule:** MGT 326-3: T/R 12:30-1:45                      ASM 1065                      CRN: 13340

MGT 326-5: M/W 5:30-6:45                      ASM 1065                      CRN: 13339

MGT 326-6: M/W 2:00-3:15                      ASM 1017                      CRN: 53409

MGT 470-1: T 7:00-9:30pm                      GSM 128                      CRN: 49753

### **Required Materials:**

1. A financial calculator (see below).
2. Copies of lecture slides (see below).

### **Optional Materials:**

1. 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).
2. Berk, DeMarzo & Harford, *Study Guide for Fundamentals of Corporate Finance*.
3. Online course materials "myfinancelab".

**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.

**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. Know how to read and assess financial statements
2. Understand interest rates and interest rate yield curves.
3. Know how to make time-value-of-money calculations.
4. Know how to effectively use a financial calculator.
5. Know how to determine and assess the value of financial assets (securities, projects and businesses)
6. Understand the concept of financial risk and its role in asset valuation and financial decision making.
7. Know how to conduct capital budgeting analysis and decision making.

**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 format 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 problem 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 must be submitted at end of class on the day it is due. 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. Answers for each problem are provided on the **Homework Assignments** file of each assignment.

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 may administer in class quizzes in 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:

	<b>Points</b>
Homework Problems	10
Research Projects	15
Test 1	20
Test 2	25
Final Exam	30
<b>Total Possible</b>	<b>100</b>

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.

<b>Grade</b>	<b>Total Course Points</b>
A+	97+
A	$93 < X < 97$
A-	$90 \leq X < 93$
B+	$87 \leq X < 90$
B	$83 \leq X < 87$
B-	$80 \leq X < 83$
C+	$77 \leq X < 80$
C	$73 \leq X < 77$
C-	$70 \leq X < 73$
D+	$67 \leq X < 70$
D	$63 \leq X < 67$
D-	$60 \leq X < 63$

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.

**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 \$35 and is sufficiently powerful for all calculations taught in this course. A scientific calculator is not a good substitute. 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 \$60. 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. Please be sure to check your batteries before exams. You are fully responsible for the proper functioning of your calculator during exams.

**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

**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.

**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:** Special services are available at UNM to ensure access for students with all federally defined disabilities. If you are a qualified person with disabilities who might need reasonable accommodations in academic settings, please communicate with me as soon as possible so that I can make appropriate arrangements to meet your needs. Frequently, we may need to coordinate accommodating activities with other offices on campus. Course materials can be made available in alternative formats. You may need to coordinate accommodations through the Accessibility Resource Center. The Office of Equal Opportunity (277-5251 or [www.unm.edu/~oeounm/](http://www.unm.edu/~oeounm/)) and the Accessibility Resource Center (277-3506 or [as2.unm.edu/](http://as2.unm.edu/)) 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>

**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 home work problems.

<b>Week</b>	<b>Date</b>	<b>Topic</b>	
1	17-21 Aug	Course Intro/ Review Syllabus/ Review Bloom's Taxonomy Overview of Finance Ch 5: Interest Rates	
2	24-28 Aug	Ch 5 (continued) Ch's 11&12: Risk & Return in Capital Markets	
3	30 Aug - 4 Sep	Ch's 11&12 (continued)	
4	7-11 Sep	7 Sep Labor Day Holiday Ch 4: Time Value of Money: Valuing Cash Flow Streams	
5	14-18 Sep	Ch 4 (continued)	
6	21-25 Sep	Ch 4 (continued)	
7	28 Sep-2 Oct	Ch 4 (continued)	
8	5-9 Oct	Ch 6: Bonds Test 1 Pre-test Review 8-11 Oct Fall Break (Woo Hoo!)	
9	12-16 Oct	Ch 6 (continued) Test 1	
10	19-23 Oct	Test 1 Post-test Review Ch 6 (continued) Ch 7: Stock valuation	
11	26-30 Oct	Ch 7 (continued)	
12	2-6 Nov	Ch 13: The Cost of Capital Test 2 Pre-test Review	
13	9-13 Nov	Test 2 Test 2 Post-test Review Ch 8: Investment Decision Rules	
14	16-20 Nov	Ch 8 (continued) Ch 9: Fundamentals of Capital Budgeting	
15	24-27 Nov	Ch 9 (continued) 26-29 Nov Thanksgiving Holiday	
16	30 Nov - 4 Dec	Ch 9 (continued) Optional Lecture on Derivatives	
17	7-11 Dec	<b>Final Exams Week</b> MGT 326-3 Thur. 10 Dec. 10:00-12:00 MGT 326-5 Wed. 9 Dec. 5:30-7:30pm MGT 326-6 Wed. 19 Dec. 3:00-5:00 MGT 470-1 Tue. 8 Dec. 7:45-9:45	