BU 488: Financial Management  
Course Syllabus Spring 2013

Instructor: Robert A. Weigand, Ph.D.  Professor of Finance and Brenneman Professor of Business Strategy  
Office: Henderson Learning Center 310-C  
Phone: 670-1591  
E-mail: profweigand@yahoo.com

Meeting Time: M/W 1:00-2:15 pm  
Henderson Learning Center 104

Course Website: http://www.washburn.edu/faculty/rweigand/page3/bu488.html

Office Hours: Mon/Wed 2:15-4:30 pm. You may set an appointment to receive priority during office hours times. You are also welcome to stop by the office whenever you catch me in, except 12:00-1:00 pm on Mondays and Wednesdays and 5:00-5:30 on Mondays.

Required Materials: One required text: Corporate Finance: A Focused Approach, 4th edition, by Ehrhardt and Brigham (Thomson/South-Western Publishing 2010, ISBN 0-324-65568-1). Homework, spreadsheets, readings, case studies, and homework solutions will be distributed via the web page URL listed above. Students should have access to and working knowledge of Microsoft Excel, a reliable internet connection, a valid Washburn email account, virus scanning software, a portable USB flash drive and a hand-held calculator. Financial calculators are not recommended (see more below).

Optional Materials: South-Western Publishing features a support site for the 4th edition of the textbook. Students are welcome to explore the textbook website and make use of all materials, but I will only be able to support and advise you on the work that I assign for BU 488.

Prerequisites: Students must complete all prerequisite classes before registering (grade of C or better in BU 381), and are expected to be proficient in all prerequisite material (introductory finance, statistics, accounting, economics and basic Microsoft Excel).

Course Description. BU 488 is a one-semester course in financial management. The course builds a conceptual and analytical framework focused on financial analysis and the creation of shareholder value. The fundamental time value of money building blocks are developed and refined into models that are applied to the valuation of 1.) financial securities, 2.) the expected impact of strategic decisions and investments, and ultimately 3.) the firm itself. Spreadsheet assignments provide the foundation for an extended case study featuring a detailed financial analysis of a firm’s revenues, profits, performance metrics and capital requirements. Students develop significant expertise in applying finance principles to the analysis of complex business problems and situations using Excel.

Course Learning Objectives (see appendix to the syllabus for more detail on these):

1. Chapter 1: Describe, discuss and think critically about the conceptual foundations of shareholder value creation.
2. Chapter 4: Display proficiency with basic time value of money calculations and integrated multi-level time value of money problems.
3. Chapter 5: Display a conceptual and technical understanding of bond price and yield relationships.
4. Chapter 7: Display a conceptual and technical understanding of stock valuation models and the background issues, calculations and assumptions related to these models.
5. Chapter 10: Display a conceptual and technical understanding of the metrics used to identify new corporate investments and the value-creation potential of these investments (capital budgeting).
6. Chapter 11: Create and analyze a capital budget.
7. Chapter 6: Display a conceptual and technical understanding of how risk is measured in finance and the models used to relate risk to the concept of expected return.
8. Chapter 9: Display the ability to calculate a firm’s weighted average cost of capital (WACC) and a conceptual understanding of the WACC inputs and the WACC’s role in capital budgeting and general
valuation models.

9. Chapter 2: Display a conceptual and technical understanding of value creation metrics such as MVA, EVA, FCF, NOPAT and ROIC.

10. Chapter 3: Display a conceptual and technical understanding of accounting ratios and how they are used in financial statement analysis.

11. Chapter 12: Display a conceptual and technical understanding of forecasting financial statements and how to adjust historical ratios to generate plausible forecasts.


13. Chapter 14: Display a conceptual understanding of the issues informing the ways corporations distribute profits and cash flows to shareholders (not scheduled for Fall 2012).

Overview of My Teaching/Education Philosophy. Business schools are professional schools. Business education should focus on developing competent and ethical practitioners of business, similar to the way medical schools develop competent doctors and law schools develop competent attorneys. Students are best served by courses that include cases and projects that simulate real-world business problems and situations and highlight the skills students have acquired. These skills should directly contribute to improved professional performance. Theory is useful when it provides a conceptual framework that helps students identify classic business themes and break down complex situations into more manageable components so that problem-solving and analysis becomes easier.

Financial Calculators. Students will be required to present the long-form solutions to calculations on all exams to qualify for any credit. Correct answers that are not accompanied by explicit calculations that support the given answer receive zero points. For this reason, financial calculators are not recommended for the course. Even though the text features hints on how to work many of the problems using financial calculators, learning finance in this manner limits the type of problems you’ll be able to solve. If you can only work the problems using calculator menus, and a certain type of problem isn’t on the menu, you’re stuck! The time value of money and all finance applications will be taught in the long form. This is the same way these questions and problems will be tested and graded. As the semester progresses there will be an increased focus on solving the longer applied problems (e.g., capital budgeting, financial ratio analysis and valuation modeling) in Excel, which is the format in which you will encounter these applications in the real-world workplace. Students are expected to read their calculator manual and learn how to use all relevant functions such as exponents, roots, brackets, memory and decimal places. Students are required to bring their calculators to all exams and lectures.

Some of the formal class policies listed below, particularly the ones on attendance, class participation, completion of homework, etc., may appear unnecessary, especially for advanced students. Experience has taught me, however, that the small amount of time and effort it takes to make class policies and other expectations clear at the beginning of the semester can save a lot of time and effort later by preempting unnecessary misunderstandings. Thank you for your patience and attention to these items.

Office Hours and Appointments. Office hours are listed on page 1 of the syllabus. Please note that there are no office hours during the hour immediately preceding lecture time (M/W 12:00-1:00 p.m. and 5:00-5:30 p.m. on Mondays). Priority will be given to students who call ahead and schedule an appointment during the times listed on page 1. Students are welcome to drop by informally or make advance appointments anytime. Calling/emailing ahead is recommended but not required.

Examinations and Required Attendance Dates. Students are required to attend the first class session on Jan 14, the in-class midterm exams on Feb 11, Mar 11, and Mar 13, and the final exam on May 10 from 1:30-3:30 pm.
Grading/Evaluation of Students. A numerical final class average for each student will be calculated as a weighted average of the following evaluation criteria:

- Class Contribution and Professionalism (CC&P) 10%
- Midterm Exams 1 and 3 (15% each) 30%
- Midterm Exam 2 (25%) 25%
- Final Exam 25%
- Homework, Quizzes and Other Class Activities 10%
- Chapter 2 & 3 Financial Analysis Spreadsheet (graded on a scale of 0-4 points) 4%

There is a maximum of 104 achievable points. Class contribution and professionalism counts for 10% of students' grades (see more on this below); exams, homework, quizzes and project work counts for 90% of students' grades. Students successfully completing the Chapter 2-3 Financial Analysis spreadsheet and can earn 0-4 extra credit points, which are added on to their final course average.

Quizzes. My 8th grade geography teacher used to say "Every day is quiz day"; as it turned out, she was right! Students should expect at least 5-8 unannounced quizzes during the semester. Quizzes cannot be made up – as the saying goes, you must be present to win. Quiz material is cumulative. Anything covered at any time during the semester is fair game for a quiz — including that day's homework or lecture. The best way to prepare for quizzes is to attend class regularly, take thorough notes, and have all the assigned homework completed when it is due. Some quizzes may be open-note, meaning that, in some cases, students will be allowed to consult their completed homework solutions when taking quizzes.

Grading. After all the grading criteria are evaluated, an appropriate grade distribution based on final class averages will be constructed. Students with final class averages conforming to the traditional 90/80/70/60 breakpoints will earn grades at least equal to A/B/C/D, but I reserve the right to extend the grade distribution to allow for the advanced nature of the course material. In general, grades of A are awarded to students who display consistent excellence in terms of attendance, attitude, preparation, commitment and achievement. Grades of B are awarded for average achievement and a determined commitment to excel in the course. Grades of C are awarded for average work, and for students that demonstrate commitment but may not be performing at the highest levels. Grades of D or F indicate below average or failing work, and/or an inadequate commitment to mastering the course material. Grades are not rationed. There is no limit to the number of grades in any grading category that can be awarded. Grades are determined only by the items listed in this syllabus. There are no "extra credit" projects or alternative methods of evaluation except those listed in this syllabus. Grades are based on observable outcomes such as exam performance, project quality, and students' contribution to creating a positive class environment. Unobservable inputs such as effort or study time outside of class do not affect course grades.

Homework Assignments. Each week there will be readings, textbook questions, problems, spreadsheets and mini-cases assigned. Detailed solutions to some of the assigned homework will be posted on the class website. Note that solutions to the end-of-chapter self-test problems are provided in Appendix A of the textbook. Students should first work all of the homework to the best of their ability, and then check their answers with the solution key. Students are required to complete at least a partial solution to every assigned homework problem during the week in which the homework is due, and have the homework fully completed no later than the following week. Although homework assignments are mainly on the honor system, they will occasionally be spot-checked and graded. Simply consulting the posted homework solutions does not constitute fulfillment of the homework requirement. Students are expected to understand the solutions to all assigned homework. Most of the exam questions will be modeled after problems assigned for homework or demonstrated during lecture. Students are expected to study the topic outline guide and dates, gauge the workload in advance and arrange their schedules so that all work is completed on time every week.

How to Submit Required Assignments. After completing an assignment, name the file exactly as follows: your last name, hyphen, first initial, hyphen. If your name is John Smith, the file name would be Smith-J.xlsx. Then submit your file to profweigand@yahoo.com, making sure that the subject line of the message is exactly the same as the name of the assignment. Submissions containing improperly named homework files are disregarded, so please
follow this guideline carefully. Students are also required to remove the class password from spreadsheets and other files they submit. Instructions on how to remove spreadsheet passwords can be found in the topic outline on pages 8-11. Please note: Late work is never accepted. In addition to earning a zero on late assignments, being unprepared for class will have a negative impact on your Class Contribution and Professionalism score.

Homework Notebooks and Lecture Notes. All students are required to keep a homework notebook. The physical format of the notebook should be whatever students find most convenient — looseleaf, spiral notebook, USB flash drive, etc. The idea behind the homework notebook is that students are required to have a permanent record of completing all homework assignments that can be presented to the instructor upon request. Each student is also required to have a complete set of lecture notes taken in their own hand or on a laptop during live lecture. Students are required to bring their homework notebooks and lecture notes to all regularly scheduled classes and to the office every time they come in to ask questions.

Class Contribution and Professionalism (CC&P). Ten percent of your grade is categorized as "class contribution and professionalism," or CC&P. The CC&P guidelines summarize behaviors and personal habits that affect your success in the business world, and are therefore also applicable to the Business School environment. Your CC&P score reflects my cumulative impression of the contribution you make to the course during the semester. CC&P measures class participation (described below), as well as your proactive contribution towards creating a positive learning environment. A positive learning environment is fostered when students conform to class policies such as those listed below:

- have good attendance, including attending the first class session and all exams and exercises;
- be punctual (class begins promptly at 1:00 pm);
- remain in your seat for the entire 75 minute class period;
- be fully prepared for every class meeting (including being ready to pass quizzes, discuss the assigned readings, present solutions to assigned homework, and ask good, focused questions);
- turn off all beepers, cell phones, PDAs, and other electronic devices;
- give your full attention to whomever has been granted the floor and refrain from side conversations, newspaper reading, or any activity that is distracting to the class (non-class activities are prohibited during lecture; e.g., surfing the web, checking email, reading non-class materials);
- contribute to class discussion in a courteous and professional manner;
- read from or present your homework notebook and/or lecture notes upon request (see policy on homework notebook and lecture notes above);
- accepting my feedback on your course performance politely and professionally;
- turn in all work on time.

Important Information Regarding your CC&P Score. Failure to conform to any of the CC&P attendance, timeliness and professionalism guidelines results in a 5 point deduction from students’ CC&P scores — that’s 5 points for every infraction. A final CC&P score can take a negative value, so please review the guidelines carefully. CC&P scores will have a positive or negative effect on your course grade, as a higher (lower) CC&P score increases (decreases) your final course average. Think of the CC&P points as a grading curve that each student earns for him/herself by exhibiting consistent professionalism.

The Washburn School of Business Values Statement. The School of Business faculty approved a formal Values Statement at the end of academic year 2008-2009. A copy is included as the final page of this syllabus. Regardless of whether or not you have personally signed the Statement, please be advised that the principles described in the Statement reflect my expectations of how you will conduct yourself in BU 488, and any other interactions we may have. As spelled out in the Statement, violations of School of Business Values include obvious behaviors such as cheating or representing the work of another as your own (Honesty), as well as more subtle behaviors such as being chronically unprepared for class, failure to arrange your schedule so that you can fulfill the class attendance policy, or offering inaccurate excuses for missing deadlines, assignments or exams. If, in the professor’s judgment, a student has committed a clear violation of any of the School of Business Values, a grade of “F” will be assigned
for the course, regardless of any other methods of evaluation the student may have submitted up to that point in the semester. Please read the Values Statement and ask questions as necessary.

What Constitutes Good Participation? I expect that everyone will want to participate enthusiastically in all class discussions. Good questions are at least as good as, and sometimes better than, good answers. To ensure maximum participation, I ask that you curb your enthusiasm only to the point where you refrain from calling out. Please signal your desire to participate and I will call on you ASAP. If someone has already participated two or three times, I will first solicit new input into the discussion before calling on that same person again. Opinions prevail when they're based on solid reasoning that's communicated eloquently and concisely, not because someone is willing to speak louder or more forcefully than others.

It is the instructor's responsibility to manage the discussion environment and grant the floor to a speaker. Diversity of opinion contributes to the quality of the course, so I appreciate your courtesy in allowing me to create an inclusive class discussion environment and solicit contributions from the greatest number of students. It will sometimes be necessary to interrupt a student's contribution if it is too lengthy or rambles off topic. Learn to take this in stride; you can always make up for it the next time you're asked to participate. Students will notice a marked increase in the focus and quality of everyone's contribution as the semester progresses and our interaction increasingly becomes based on fact and analysis.

Attendance Policy. Attendance is an important component of your success in the course. Lectures are drawn from a wide variety of background materials, and there is a substantial amount of technical material that requires significant build-up to present effectively. Additionally, many class sessions will include facilitated discussions on pre-assigned topics. Missing many classes and/or being chronically late not only affects your understanding of the material, but imposes costs on other students when you are not present and fully prepared to participate in each class session. As 10% of your grade will be determined by the contribution you make to the course environment and discussions (described above), you must be able to attend class in order to contribute and participate. The recommended number of absences in this course is zero, but students will be allowed to miss up to 3 classes before incurring a mandatory penalty. Beginning with the 4th absence, students' CC&P scores will be reduced by 5 points (based on a 100-point scale) for each absence greater than 3. Students must attend the first day of class and be present for the in-class exams and all in-class activities (dates provided in the "topic outline" at the end of the syllabus). Students are required to provide advance notification of all absences via e-mail.

Late Arrival. Students are granted the courtesy of one late arrival each semester. If you are late, please use the classroom back door to enter quietly and take a seat in the back. Your CC&P score will be reduced by 5 points for each time you enter the classroom late, beginning with the second infraction.

Make-up Policy. Students will not be granted automatic extensions or make-ups if they miss homework and/or exam deadlines without advance permission. Waivers from homework, exam, or other course requirements or deadlines, including permission to miss and make up an exam at a later time will be granted in writing, and only for extraordinary circumstances (see below). To avoid misunderstandings, there will be no verbal waivers from course requirements or deadlines.

Athletics and Other University Activities. Students involved in athletics or other University activities that conflict with lecture and/or exam dates must notify me in writing no later than the 2nd week of classes (Aug 31) of all dates for which they will be requesting a waiver from attending class and/or taking an exam with the rest of the class.

Extraordinary Circumstances. Students encountering genuine emergencies or other extraordinary circumstances should contact me as soon as circumstances allow. Barring truly extraordinary circumstances, however, students are expected to adhere to the course schedule and complete all exams, assignments, and other course requirements on time. Students who fall out of contact for an extended period of time or miss deadlines without advance explanation will be assigned a final course grade of "F."

Communication Channels. E-mail is the best way to contact me. Students are always welcome to call me in the office, but if I don't answer the phone you might get a faster call back by sending an e-mail with your phone numbers and preferred contact times.
Prerequisites. It is the responsibility of the student to meet all prerequisite requirements for courses in which the student is enrolled. A student failing to meet prerequisite requirements is subject to administrative withdrawal from the course at any time.

Grading and Time Commitments in 400-Level Major Courses. To earn a passing grade, students should demonstrate a strong desire to obtain complete mastery of the subject matter in accordance with the depth and breadth of my expectations. I expect everyone will give this course high priority throughout the entire semester, and arrange their schedules so they can devote whatever time is required to master the material. It would not be unusual for some students to find they need to spend 7-10 hours or more per week on the course, over and above the 3 hours per week spent in the classroom. A substantial amount of the coursework must be completed independently, by following homework solutions and study guide notes provided by the instructor. Class time focuses on specialized and technical topics, and comprises only a small component of the total course experience.

Disclaimers. The detailed topic outline on pages 8-11 shows the proposed course schedule. Some flexibility across weeks should be expected, but in general I'll try to adhere to the schedule as much as possible. While students are encouraged to pursue as much additional reading as they like, class time will focus on the material described in the topic outline below.

I reserve the right to change the methods of evaluation, the weights assigned to each evaluation component, or anything else that needs to be changed at any time during the semester if, in my judgment, the change is in the best interest of the course learning environment. Remember that my evaluation method includes spot-checking students' lecture notes and homework assignments, administering unannounced quizzes, and explicitly grading students' professionalism and contribution to the learning environment.

Mission of the University. Washburn University enriches the lives of students by providing opportunities for them to develop and to realize their intellectual, academic, and professional potential, leading to becoming productive and responsible citizens. We are committed to excellence in teaching, scholarly work, quality academic and professional programs, and high levels of faculty-student interaction. We develop and engage in relationships to enhance educational experiences and our community. Washburn University Board of Regents, 2010

Academic Misconduct Policy. All students are expected to conduct themselves appropriately and ethically in their academic work. Inappropriate and unethical behavior includes (but is not limited to) giving or receiving unauthorized aid on examinations or in the preparation of papers or other assignments, or knowingly misrepresenting the source of academic work. Washburn University’s Academic Impropriety Policy describes academically unethical behavior in greater detail and explains the actions that may be taken when such behavior occurs. For guidelines regarding protection of copyright, consult www.washburn.edu/copyright/students. For a complete copy of the Academic Impropriety Policy, contact the office of the Vice President for Academic Affairs, Bradbury Thompson Alumni Center Suite 200, or go on-line to: www.washburn.edu/admin/vpaa/fachdbk/FHsec7.html#VIII

Disability Services. The Student Services Office is responsible for assisting in arranging accommodations and for identifying resources on campus for persons with disabilities. Qualified students with disabilities must register with the office to be eligible for services. The office MUST have appropriate documentation on file in order to provide services. Accommodations may include in-class note takers, test readers and/or scribes, adaptive computer technology, brailled materials. Requests for accommodations should be submitted at least two months before services should begin; however, if you need an accommodation this semester, please contact the Student Services Office immediately.

Location: Student Services, Morgan Hall Room 135  (new location)
Phone: 785-670-1629 or TDD 785-670-1025
E-Mail: student-services@washburn.edu

Students may voluntarily identify themselves to the instructor for a referral to the Student Services Office.

The Grade Appeal Procedure can be found online at http://www.washburn.edu/main/academics/academic-catalog/Academic_Catalog_Addendum_Grade_Appeal_Procedure_p586.html.
Center for Undergraduate Studies and Programs (CUSP). As a Washburn student, you may experience difficulty with issues such as studying, personal problems, time management, or choice of major, classes, or employment. The Center for Undergraduate Studies and Programs (Office of Academic Advising, Educational Opportunity Program, and Testing and Assessment) is available to help students either directly through academic advising, mentoring, testing and developing learning strategies or by identifying the appropriate University resource. If you feel you need someone with whom to discuss an issue confidentially and free of charge, contact CUSP in Morgan 122, 785-670-2299, advising@washburn.edu.

Withdrawal Policy. During fall and spring semesters, students may go online and withdraw from full semester courses through the second week of class with no recorded grade. From the third through the eleventh week a “W” is recorded for any dropped course. After the eleventh week (Deadline Friday April 1 for Spring 2011), there are NO withdrawals, and a grade will be assigned for the course. For short-term or summer course deadlines, please check the appropriate Semester/Session Course Bulletin Web Site (www.washburn.edu/schedule).

Attendance. Although it is the student’s responsibility to initiate course withdrawals, an instructor, after due notice to the student, may request withdrawal of the student from a course because of nonattendance through the same date as the last day a student may withdraw from a course. This would NOT absolve the student of financial responsibility for tuition/fees for the course in question.

Official E-Mail Address. Your Washburn University e-mail address will be the official address used by the University for relaying important messages regarding academic and financial information and the University will consider this your official notification for important information. It may also be used by your instructors to provide specific course information. If you prefer to use an alternate e-mail address to receive official University notices, you can access your MyWashburn e-mail account, choose the “Options” tab, and select “Settings”, scroll to the bottom of the screen, click enable forwarding and enter the e-mail address you would like your Washburn emails forwarded to in the “mail forwarding” area. Click add and the click on save changes. This will complete the process of forwarding your Washburn e-mail. It is your responsibility to ensure that your official e-mail box does not exceed your message quota resulting in the inability of e-mail messages to be accepted into your mailbox.

Success Week. Success Week for undergraduate students is designated as the five week days preceding the first day of scheduled final examinations each Fall and Spring semester. Success Week is intended to provide students ample opportunity to prepare for final examinations. For academic programs, the following guidelines apply:

A. Faculty are encouraged to utilize Success Week as a time for review of course material in preparation for the final examination. If an examination is to be given during Success Week, it must not be given in the last three days of Success Week unless approved by the Dean or Department Chair. Assignments worth no more than 10% of the final grade and covering no more than one-fourth of assigned reading material in the course may be given.

B. Major course assignments (extensive research papers, projects, etc.) should be due the Friday prior to Success Week and should be assigned early in the semester. Any modifications to assignments should be made in a timely fashion to give students adequate time to complete the assignments.

C. If major course assignments must be given during Success Week, they should be due in the first three days of Success Week. Exceptions include class presentations by students and semester-long projects such as a project assignment in lieu of a final. Participation and attendance grades are acceptable.

The Success Week policy excludes make-up assignments, make-up tests, take-home final exams, and laboratory examinations. It also does not apply to classes meeting one day a week for more than one hour. All University laboratory classes are exempt from this policy.
BU 488 Financial Management Topic Outline and Course Schedule

The required readings and homework are shown below. Most homework questions and problems and the answers to selected homework are contained in the solution files (distributed via the course website), except for "Self-Test" homework, which is solved in the back of the textbook (Appendix A). Work all homework problems using long form solutions — financial calculator solutions will not be featured in class and are not acceptable on exams. Additional videos and readings from various business periodicals will be incorporated into the course throughout the semester, and form the basis for our class discussions. These readings will be announced in class. Be sure to download the Exam Formula Sheet from the course website and use it when working the homework.

http://www.washburn.edu/faculty/rweigand/page3/bu488.html

Attendance is required on Jan 14, Feb 11, Mar 11, Mar 13 and May 10 (Final Exam).

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<tr>
<th>Date</th>
<th>Ehrhardt/Brigham Text and Other Assignments</th>
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<tbody>
<tr>
<td>Week 1</td>
<td></td>
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<tr>
<td>Jan 14 &amp; 16</td>
<td>Chapter 1: Course Overview and Introduction</td>
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<td>Assignments:</td>
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<td></td>
<td>1. Review the course syllabus. Make sure you understand the course policies, especially how grades are determined and the CC&amp;P (Class Contribution and Professionalism) policy.</td>
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<td></td>
<td>2. Read Chapter 1.</td>
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<td>3. Take the Chapter 1 online lecture (Part 1 and Part 2). Answer the conceptual questions at the end of the online lecture.</td>
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<td>4. Homework Chapter 1: Complete questions 1-19 in the homework solutions file and the textbook Mini-Case for Chapter 1.</td>
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<tr>
<td>Week 2</td>
<td>Chapter 4: The Time Value of Money (No in-class meeting Monday)</td>
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<td>Jan 23</td>
<td>Assignments:</td>
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<tr>
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<td>1. Read Chapter 4.</td>
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<td></td>
<td>3. Homework Chapter 4: Complete even-numbered problems 2-40 in the homework solution file.</td>
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<td>4. TVM-Spreadsheet (available online, optional). The spreadsheet depicts Excel solutions to many of the problems featured in the time value of money lectures.</td>
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<tr>
<td>Week 3</td>
<td>Finish Chapter 4: The Time Value of Money</td>
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<tr>
<td>Jan 28 &amp; 30</td>
<td>Assignments (continued from previous week):</td>
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<tr>
<td></td>
<td>1. Read Chapter 4.</td>
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<td></td>
<td>3. Homework Chapter 4: Complete even-numbered problems 2-40 in the homework solution file.</td>
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<tr>
<td></td>
<td>4. TVM-Spreadsheet (available online, optional). The spreadsheet depicts Excel solutions to many of the problems featured in the time value of money lectures.</td>
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<tr>
<td>Week 4</td>
<td>Chapter 5: Bond Valuation</td>
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<td>Feb 4 &amp; 6</td>
<td>Assignments:</td>
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<td>1. Read Chapter 5 and take the Chapter 5 online lecture. Answer the questions at the end of the online lecture</td>
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<td></td>
<td>3. Homework Chapter 5: Complete even-numbered problems 2-16 in the homework solution file.</td>
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<td>4. Download the Bond Pricing Spreadsheet, which performs the calculations necessary for answering some of the homework questions.</td>
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<tr>
<td>Date</td>
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| Week 5              | Mon: Exam #1 (Ch. 1, 4 & 5); Wed: Chapter 7: Stock Valuation Assignments:  
| Feb 11 & 13         | 1. Read Chapter 7.  
|                     | 3. Homework Chapter 7: Complete odd-numbered problems 3-17 plus market data problems 22-24 in the homework solution file. |
| Week 6              | Finish Chapter 7: Stock Valuation Assignments:  
| Feb 18 & 20         | 1. Download the Dividend Discount Model spreadsheet (optional). The spreadsheet illustrates the dividend discount valuation model applied to several stocks.  
|                     | 2. Class Discussion on Market Efficiency (required). Navigate to the BU 488 Discussion web page to watch the Mind Over Money video. Instructions on how to complete the assignment are contained in the study guide question file (available online). Bring your Word file and a printed copy of your written answers to class on Feb 20. |
| Week 7              | Chapter 10: The Basics of Capital Budgeting Assignments:  
| Feb 25 & 27         | 1. Read Chapter 10 and take the Ch. 10 online lecture. The online lecture presents background information on capital budgeting and demonstrates how to calculate the Payback and Discounted Payback period of a project.  
|                     | 2. Complete textbook self-test problems 1a-e (check with answers in back of textbook).  
|                     | 3. Homework Chapter 10: Complete questions and problems 1-5 in the homework solution file.  
|                     | 4. Download the lecture notes (available online). Review the notes prior to lecture and bring to class. |
| Week 8              | Chapter 11: Advanced Capital Budgeting Assignments:  
| Mar 4 & 6           | 1. Read Chapter 11.  
|                     | 2. Questions and problems 1-5, 7 and 8 in the homework solution file. |
| Week 9              | Midterm Exam #2 is administered in 2 parts on Mon. and Wed.  
| Mar 11 & 13         | Mon: Exam #2 Part 1 (Ch. 7 & 10)  
<p>|                     | Wed: Exam #2 Part 2 (Ch. 11) |
| Week 10             | Spring Break. No in-class meetings, no assignments. |</p>
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<tr>
<th>Date</th>
<th>Ehrhardt/Brigham Text and Other Assignments</th>
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<tbody>
<tr>
<td><strong>Week 11</strong></td>
<td><strong>Chapter 6: Risk and Return</strong></td>
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<tr>
<td>Mar 25 &amp; 27</td>
<td><strong>Assignments:</strong></td>
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<td></td>
<td>1. Read Chapter 6.</td>
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<td>2. Take the Chapter 6 online lecture (Part 1 and Part 2) Answer the questions and problems presented in the online lecture.</td>
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<td>3. Questions 1-2 and problems 5 and 7 in the homework solution file.</td>
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<td>4. Download the Estimating Beta with Linear Regression spreadsheet (optional). The spreadsheet depicts examples of how to estimate and interpret a stock's alpha and beta.</td>
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<tr>
<td><strong>Week 12</strong></td>
<td><strong>Chapter 9: The Cost of Capital</strong></td>
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<tr>
<td>Apr 1 &amp; 3</td>
<td><strong>Assignments:</strong></td>
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<td>1. Read Chapter 9.</td>
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<td>2. Questions and problems 1-3 in the homework solution file.</td>
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<tr>
<td><strong>Week 13</strong></td>
<td><strong>Chapter 3: Analysis of Financial Statements. No in-class meeting Wed.</strong></td>
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<td>Apr 8</td>
<td>We are going to combine textbook Chapters 2, 3 and 13 into an integrated treatment of Financial Analysis and Valuation, beginning with 3 in-class lectures (Apr 8, 15 &amp; 17). As we progress through the various metrics, students will code these metrics into the MCD Performance Analysis Template (available online), following the solution in the MCD Performance Analysis Model. This assignment is due Fri., Apr. 26 at 5:00 pm.</td>
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<td><strong>Assignments:</strong></td>
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<td>1. Read Chapter 3.</td>
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<td>2. Watch the online video, which will orient you to the main idea of the Financial Analysis and Valuation project.</td>
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<td>3. Read the first 11 pages of An Introduction to Financial Analysis and Valuation (up to the Profitability section), which presents a financial analysis of MCD, and follow the calculations depicted in the MCD Performance Analysis spreadsheet.</td>
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<td>4. Download the MCD Performance Analysis Template and bring to all our remaining class sessions on a flash drive so you will be ready to participate in future spreadsheet workshopping sessions that will help you complete your project. You can start building this spreadsheet any time – no need to wait for further instructions.</td>
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<td>5. Study the online teaching examples (Apple, Inc. and Coca-Cola).</td>
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<td>6. Complete the Margins, Relative Profitability, and Liquidity and Debt sections of the MCD Performance Analysis Template. Check your answers with the Performance Analysis Model solution provided online.</td>
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<td>7. Midterm Exam #3 is distributed as a take-home exercise (covers Chapters 6 and 9). The exam is due to be turned in next Wed., Apr. 17 at 1:00 pm.</td>
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<tr>
<td><strong>Week 14</strong></td>
<td><strong>Continue Chapter 3: Analysis of Financial Statements.</strong></td>
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<td>Apr 15 &amp; 17</td>
<td><strong>Assignments:</strong></td>
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<td>1. Complete Exam #3 (a physical copy of the exam was distributed in class on Apr 8).</td>
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<td>2. Turn in the exam Wed., Apr. 17 in class at 1:00 pm.</td>
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<td>3. Continue working on the MCD spreadsheet (due next Fri., Apr. 26).</td>
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<tr>
<td>Week 15</td>
<td>Apr 22 &amp; 24</td>
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| **Chapter 2: Financial Statements, Cash Flow and Taxes.**  
Assignments:  
1. Read Chapter 2.  
2. Read through page 22 of the Introduction to Financial Analysis and Valuation notes.  
3. Study the DuPont Analysis of ROA and ROE handout and the examples in the Equity Multiplier Example spreadsheet (both available online).  
4. Complete the Profitability, Capital, NOPAT & FCF, Cost of Capital and Value Creation sections of the MCD Performance Analysis Template. Check your answers with the Performance Analysis Model solution provided above.  
5. Turn in your completed MCD Performance Analysis Template no later than 5:00 pm Fri., Apr. 26 (via email to profweigand@yahoo.com). Remember the file-naming conventions outlined in the syllabus (if your name is John Smith, your file should be named Smith-J.xlsx). Also remember to delete the password before submitting the file. To remove the password in Excel 2010, open the spreadsheet and navigate to File-Protect Workbook-Encrypt with Password and delete the password in the "Password" entry box. You must then re-save the Excel file for the password to remain deleted.  
6. Download the Apple, Inc. Financial Analysis and Valuation Model (available online) We’ll practice filling out the Historical Diffusion Index in class. |

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<th>Week 16</th>
<th>Apr 29 &amp; May 1</th>
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| **Chapter 13: Valuation, Value-Based Management and Governance.**  
Assignments:  
1. Read Chapter 13.  
2. Take the Chapter 13 online lecture.  
3. Download and review the companion spreadsheet for this chapter: Ch13ToolKit-2010.xlsx. |

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<tr>
<th>Week 17</th>
<th>Fri May 10</th>
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<tr>
<td><strong>Final Exam (comprehensive), covers Chapters 1, 4, 5, 7, 10, 11, 6, 9, 2, 3, and 14. Scheduled from 1:30 pm to 3:30 pm in HC 104.</strong></td>
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BU 488 Learning Objectives and Exam Study Outline Spring 2013

Midterm 1: Ch. 1, 4 & 5; Midterm 2: Ch. 7, 10 & 11; Midterm 3: Ch. 6 and 9.
Final Exam: Chapters 1, 4, 5, 7, 10, 11, 6, 9, 2, 3, and 13

1) Chapter 1: Describe, discuss and think critically about the conceptual foundations of shareholder value creation.
   a. idea of economic profit as depicted in the lemonade stand example
   b. shareholder wealth paradigm as contrasted with stakeholder theory
   c. enlightened value management — a blend of two viewpoints
   d. how agency problems in the firm can detract from value creation
   e. how taking the finance view of the balance sheet reveals the basic idea behind value creation (cash flows into the firm as capital, is transformed into assets, etc.)
   f. 3 major finance principles (value = PV of expected future cash flows, inverse relation between prices and yields, positive relation between risk and expected return)
   g. expected return = risk free rate + risk premium
   h. expected return is a general term for specific applications in finance such as discount rate, yield to maturity, required return, cost of capital, and internal rate of return

2) Chapter 4: Display proficiency with basic time value of money calculations and integrated multi-level time value of money problems.
   a. all the TVM tools; present and future value of lump sums and annuities; perpetuities; EARs and APRs
   b. integrated problems such as financial planning, calculating car payments, mortgage payments, etc.
   c. TVM principles such as sooner = more, why the value of cash flow streams where a greater percentage of the cash flow amount is received later are more volatile for a given change in the discount rate, etc.

3) Chapter 5: Display a conceptual and technical understanding of bond price and yield relationships.
   a. basic bond valuation model allows us to calculate bond prices and yields to maturity
   b. understanding of a bond's expected return, and how bond yield to maturity is a specific example of the general finance idea of expected return
   c. bond pricing basics involve combining two fundamental finance principles:
      i. finance principle #1: value = present value of all expected future cash flows
      ii. finance principle #2: there is an inverse relation between price (value) and yield (expected return)

4) Chapter 7: Display a conceptual and technical understanding of stock valuation models and the background issues, calculations and assumptions related to these models.
   a. basic stock valuation model is an application of finance principle 3-c-i above
   b. dividend discount model (DDM) and DDM with supra-normal growth
   c. dividend discount model implies an expression for a stock's expected return
   d. how to estimate future growth rates from past changes in dividends, earnings, etc.
   e. market efficiency — basic statements and ideas, three levels of market efficiency, patterns in securities prices
5) Chapter 10: Display a conceptual and technical understanding of the metrics used to identify new corporate investments and the value-creation potential of these new investments (capital budgeting).
   a. how to calculate the project evaluation criteria
      i. payback and discounted payback
      ii. NPV
      iii. IRR and MIRR
   b. understanding of exactly what each criterion measures in terms of value creation
   c. understanding of strengths and weaknesses of each criterion
   d. basic Excel functions NPV, IRR, MIRR

6) Chapter 11: Create and analyze a capital budget.
   a. different types of projects (replacement, expansion of existing products or markets, etc.)
   b. identification of relevant cash flows (start with incremental income statement)
   c. sunk costs, opportunity costs, cannibalization, calculating cash flow from sale of assets (including tax consequences), calculating depreciation (MACRS only)
   d. implications of accept/reject decisions for projects

7) Chapter 6: Display a conceptual and technical understanding of how risk is measured in finance and the models used to relate risk to the concept of expected return.
   a. expected return (yield) of bonds tied to their credit rating
   b. expected return on equity can be estimated via the CAPM
   c. finance principle #3: we expect to observe a positive relation between risk and expected return
   d. beta and what it measures
   e. how diversification reduces risk in a portfolio

8) Chapter 9: Display the ability to calculate a firm’s weighted average cost of capital (WACC) and a conceptual understanding of the WACC inputs and the WACC’s role in capital budgeting and general valuation models.
   a. different types of capital (debt and equity) and what counts as debt capital
   b. the cost of debt = after-tax yield or expected return on a debt instrument
   c. cost of equity comes from CAPM or some ad hoc model such as \( E(r) = \frac{D}{P_0} + g \)
   d. calculation of weighted average cost of capital (WACC)
   e. Why is the WACC an appropriate discount rate for valuing new projects and valuing the entire firm? Because the WACC represents the expected return on a firm-level investment of average risk
   f. four mistakes to avoid when calculating/interpreting the cost of capital
9) Chapter 2: Display a conceptual and technical understanding of value creation metrics such as MVA, EVA, FCF, NOPAT and ROIC.
   a. calculation of the valuation metrics (MVA, EVA, FCF, NOPAT, ROIC)
   b. ability to interpret what the valuation metrics measure and compare vs. more traditional accounting metrics (ROA, ROE, earnings and EPS) — note that these metrics interact with the financial ratios covered in Chapter 3

10) Chapter 3: Display a conceptual and technical understanding of accounting ratios and how they are used in financial statement analysis.
   a. calculation and interpretation of all key financial ratios (liquidity, efficiency, etc.) and gross margin, operating margin and net profit margin
   b. compare and contrast ROA, ROE and ROIC
   c. DuPont decomposition of ROE into profit margin, asset turnover and equity multiplier — calculation and interpretation of all the components

11) Chapter 12: Display a conceptual and technical understanding of forecasting financial statements and how to adjust historical ratios to generate plausible forecasts.
   a. forecasting financial statements and performance metrics using percent of sales method (and other key forecasting ratios)
   b. where do the forecasting ratios come from? (average past growth rates, and the assumptions implicit in using past values to forecast future statements)
   c. calculation and interpretation of additional funds needed (AFN)

12) Chapter 13: Display a conceptual and technical understanding of how to integrate accounting ratio analysis and finance-based valuation metrics in a comprehensive spreadsheet model of a firm’s financial performance and valuation.
   a. (Ch13ToolKit.xls is a good study resource for this chapter)
   b. calculate FCF from operations
   c. value the firm as present value of operating + nonoperating assets
   d. Bell Memory vs. Bell Instruments example depicts how investing in new assets earning below the WACC destroys even more value regardless of expected future sales growth
   e. Investing more when ROIC > WACC and paring back on assets earning < WACC are both ways a firm can boost EVA (and probably MVA)

13) Chapter 14: Display a conceptual understanding of the issues informing the ways corporations distribute profits and cash flows to shareholders.
   a. dividends as the tangible cash flow streams that give stocks their intrinsic value
   b. role of dividends in total shareholder returns 1800-2005
   c. dividends and signaling
   d. dividends and agency costs
   e. dividends and risk
   f. trends in payouts to shareholders: the rise of share repurchase