

Department of Business:

Syllabus for BUS 2339 (Old Code: BUS 2340)

Financial Management - 3 Credits/4 Hours a week

Professor: Richard Aronin

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Semester: Spring 2021 Online

Pre-requisites & Co-requisites: MAT 1190 or Higher or Eligibility for MAT 1275 or Higher

Required Textbook(s) & Supplemental Material(s): Fundamentals of Financial Management 14th Edition by Brigham & Houston. Publisher: South-Western/Cengage.

Course Description/Overview: This course provides an in-depth analysis of the principles of financial management and their application to decision making in a firm. Students will take part in the 5 year life cycle of a created Company. Topics include: financial statement, profit/loss, salary & taxes issues, ratio analysis, Time-Value-Money (TVM) problems, capital budgeting principles and applications, cost of capital, stocks, bonds, alternative methods of financing business firms, and dividend policy.

Learning Objectives - Course Specific: Upon satisfactory completion of the course, students will gain a firm understanding and working knowledge of:

- Basic understanding of **how a company works through a 5 year cycle.**
- Learn the advantages and disadvantages of organizing a business as a corporation.
- Understand the role of the financial manager in a corporation.
- To understand the types and purposes of financial institutions and markets.
- To understand the data found in financial statements.
- To understand how to analyze financial statements.
- To understand how capital markets reconcile preferences for current vs. future consumption
- To understand time-value-money problems.
- To understand and use the formulas associated with the present value of perpetuities, growing perpetuities, annuities, and growing annuities.
- To understand compounding, including continuous compounding.
- To understand the important difference between nominal and effective interest rates.
- To learn how to calculate the value of a bond.
- To explore the relationship between bond prices and interest rates.
- To learn the concept of term structure of interest rates and related concepts.
- To understand various theories that explains the term structure of interest rates.
- To explore the relationship between real and nominal rates of interest and their implications.

Learning Objectives - General Education:

- **Knowledge** of the roles of finance and accounting in business and in the economy at large.
- Developing quantitative thinking **skills** which can be applied to many disciplines.
- **Integrating** mathematical and financial knowledge to solve interdisciplinary problems.
- Work together in groups with shared responsibilities, developing trust and team **ethics**.
- Become comfortable with a wide range of **databases (information sources)** in order to apply theory to real-world situations.



Student Learning Outcomes – Course Specific:

- **Understanding of a 5 year company life cycle**
- Mastery of the basics of financial decision making;
- Applications of finance in small business, investment, and within the corporation.

Student Learning Outcomes – General Education:

LEARNING OUTCOMES	ASSESSMENT METHODS
KNOWLEDGE: Develop an understanding of the key concepts and theory behind financial ideas, their role in society and implications for other disciplines.	Verbal Quizzes that both test an understanding of basic concepts and that require students to express their understanding by creating & maintain their company through the 5 year cycle.
SKILLS: Develop and apply the tools of financial management; to be able to critically analyze and discuss risk management issues; develop the ability to construct a complete plan of action/response to a business situation.	Student presentations of yearly statements & questions tied to topics covered in class and to timely relevant issues; students use MS-Excel to analyze problems and demonstrate results in in their submissions.
INTEGRATION: Apply the tools acquired in the course to be able to build upon an understanding of financial management across disciplines, both in the social sciences and other areas.	5 year company research project which requires students to select and define issues and examine solutions, drawing upon the tools of financial forecasting and risk management in their submissions & answers to questions.
VALUES, ETHICS, AND RELATIONSHIPS: Work creatively with others: group problem solving; develop a respect for diverse viewpoints and apply the skills and concepts covered in the course to the analysis of related issues and concepts in other disciplines	Team/company creation & maintenance assignment which encourages student discussion and sharing of ideas and perspectives verbally & in their submissions.
INFORMATION LITERACIES: Gather, interpret, evaluate, and apply information discerningly from a variety of sources.	5 year company research project which requires students to use online data-bases and information technology to analyze the issue and to draw conclusions verbally & in their submissions.

CUNY’s Academic Integrity Policy: *Academic dishonesty is prohibited in The City University of New York.* Penalties for academic dishonesty include academic sanctions, such as failing or otherwise reduced grades, and/or disciplinary sanctions, including suspension, or expulsion.

Cheating is the unauthorized use or attempted use of material, information, notes, study aids, devices or communication during an academic exercise.

Plagiarism is the act of presenting another person’s ideas, research or writings as your own. The following are some examples of plagiarism, but by no means is it an exhaustive list:

Internet Plagiarism includes submitting downloaded term papers or parts of term papers, paraphrasing or copying information from the internet without citing the source, and “cutting and pasting” from various sources without proper attribution.

For a more detailed explanation, you can find the full Academic Integrity Policy here:
http://www.citytech.cuny.edu/aboutus/docs/policies/CUNY_ACADEMIC_INTEGRITY_6-2011.pdf

College Attendance Policy: A student may be absent without penalty for 10% of the number of scheduled class meetings during the semester as follows:



<u>Class Meets</u>	<u>Allowable Absence(s)</u>
1 time/week	2 classes
2 times/week	3 classes
3 times/week	4 classes

Excessive Absence:

If a student’s class absences exceed the limit established for a given course or component, the instructor will alert the student that a grade of “WU” may be assigned. If a student remains officially registered for a course and never attends that course, a final grade of “*WN” will be assigned. If the student withdraws officially from the course, he/she will be assigned a grade in accordance with the existing withdrawal policy of the College.

Grading Policy:

- Company yearly submissions will count for **10%** per year x 5 submissions = **50%**.
- Final Company profit & individual salaries will count for 15% each = **30 %**
- The remaining **20%** percentage points will be based on class participation, spot verbal quizzes, extra efforts, etc.

Grading System:

All grades will be based in proportion to the following scale:

A	=	93 - 100
A-	=	90 - 92.9
B+	=	87 - 89.9
B	=	83 - 86.9
B-	=	80 - 82.9
C+	=	77 - 79.9
C	=	70 - 76.9
D	=	60 - 69.9
F	=	59.9 and below

Assessment Methods: Company Yearly Submissions, Final total profits & Final salaries, quizzes, participation & homework’s.

Course Technology: Blackboard. Email

Class Schedule:

Class sessions will meet online every **Thursday night at 6 PM to 9 PM** on Blackboard; starting on February 4th; unless rescheduled via email. **Protocols will be emailed to direct & guide students on their 5 year company journey.** Students are expected to **attend all sessions & read all Protocols as well as the textbook.** Each class session online will include an attendance call with Q & A, where student can ask interactive questions, to achieve understanding, knowledge & mastery. Some specific questions will be directed off-line. Company teams should work together virtual &/or in person to achieve common goals of **prompt accurate submissions & knowledge mastery.** The last class session will be May. 20th.

Text summary:

SECTION 1

FINANCE AND THE FINANCIAL MANAGER OVERVIEW:

We explain the role of corporations, financial managers and financial markets in the financial decision making process. The success of any firm in financial management is measured by the increase in the value of the firm. The financial decisions made by firms are generally geared towards this objective. Generally, there are two types of financial decisions that

are made in a corporation: investment decisions and financing decisions. In order to make these decisions a financial manager not only uses input from the corporation, but also from financial markets.

SECTION 2

FINANCIAL MARKETS AND INSTITUTIONS OVERVIEW:

This section introduces modern financial markets and institutions. The concept of risk is introduced here. The importance of financial markets is emphasized.

SECTION 3

FINANCIAL STATEMENT ANALYSIS OVERVIEW:

This section studies the tools and techniques for analyzing financial statements for purposes of credit evaluation, forecasting, identifying merger candidates, enhancing the efficiency of decision making and diagnosing problem areas in the firm before crises develop. We learn to use financial ratios to conduct DuPont (i.e., decomposition) analysis, a methodology to discover sources of poor performance through interrelationships among a firm's financial ratios.

SECTION 4

PRESENT VALUES, THE OBJECTIVES OF THE FIRM, AND CORPORATE GOVERNANCE OVERVIEW:

This section introduces the concept of present value and shows why a firm should maximize the market value of the stockholders' stake in it. The authors explain the linkage between net present values and well-functioning financial markets using two-date, certain-world framework. The concept of risk is introduced here. The net present value rule and the rate of return rule are explained in great detail.

SECTION 5

HOW TO CALCULATE PRESENT VALUES OVERVIEW:

This section describes the mechanics of calculating present values of lump sum amounts, perpetuities, annuities, growing perpetuities, growing annuities and unequal cash flows. Other related topics like simple interest, frequent compounding, continuous compounding, and nominal and effective interest rates are discussed.

SECTION 6

VALUING BONDS OVERVIEW:

This section shows how present value concepts can be applied to the valuation of bonds. The concept of the term structure of interest rates is explained here. Various theories of the term structure of interest rates are explored. The relationship between real rate and nominal rate of interest is explored. The impact of inflation on the nominal interest rates is discussed.

SECTION 7

INTRODUCTION TO RISK, RETURN, AND THE OPPORTUNITY COST OF CAPITAL OVERVIEW:

This section provides a historical overview of return and risk for various securities like stocks, bonds, and T-bills. It lays the foundation for understanding risk and return, which is crucial for financial decision-making. It provides a method for estimating the opportunity cost of capital using historical data. It shows how to calculate the expected return and the standard deviation of returns for a portfolio. Finally, the concept of beta as a measure of risk is introduced in this section.

SECTION 8

RISK AND RETURN OVERVIEW:

This is a very important section as it deals with portfolio theory and the capital asset pricing model. This is a difficult section and students find it hard to understand the concepts fully. The concepts of efficient portfolios and the riskfree asset are explained clearly. It concentrates on the Markowitz portfolio selection model and the capital asset pricing model (CAPM), and builds on the previous section.

SECTION 9

THE VALUE OF COMMON STOCKS OVERVIEW:

This section shows how present value concepts can be applied to the valuation of common stocks. It provides a detailed explanation of the constant dividend growth model. It also explores the relationship between stock price, earnings per share and growth opportunity.

SECTION 10

CAPITAL BUDGETING AND RISK OVERVIEW:

The authors discuss how modern theories about risk and return, discussed in previous sections, are applied to capital budgeting decisions. The main focus is on the estimation of beta, company and divisional cost of capital, and project cost of capital –



including international projects. They show how to estimate the discount rate for risky projects. The authors end the section with a discussion of the certainty equivalent method of calculating the present value of risky cash flows.

SECTION 11

PROJECT ANALYSIS OVERVIEW:

This section explains sensitivity analysis, breakeven analysis, simulation, real options and decision trees as a supplement to the NPV analysis. These analyses, called project analyses, provide additional insights into a capital budgeting project before making the final accept-reject decision. The final decision is always made using the NPV analysis. This section explains the capital investment process generally followed by firms.

SECTION 12

PAYOUT POLICY OVERVIEW:

This section starts by describing different types of cash payouts by U.S. companies. There are two ways in which a firm can distribute cash to the shareholders—dividend and stock repurchase. The information content in dividends and share repurchases is explained in detail.