

## **MBA 545 Spring 2012**

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|-------------------|--|--------------------|----------------------|
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### **Course Learning Outcomes**

Upon successful completion of this course the student should:

- Have an understanding of the goals of the firm and how the finance function supports those goals
- Have an understanding of how the finance function is related to and interacts with the other functional areas of firm performance to achieve firm goals
- Be able to read and analyze the financial statements of an organization
- Be able to use the historical analysis of financial statements and a sales forecast to forecast the cash flow and financing needs of the organization short term
- Understand how the time value of money impacts financial decisions
- Understand and be able to apply the models for valuing financial assets
- Understand the concept of risk as it applies to financial modeling
- Be able to model data to estimate risk parameters and apply them to valuation models
- Be able to estimate cash flows accruing to long term assets
- Understand and be able to apply the models used to evaluate the long-term asset acquisition proposals for the firm
- Understand the instruments and markets for raising capital for the firm

### **Assessment Methods**

There will be three methods used to assess the extent to which the learning outcomes are being achieved.

#### **Problem Sets and Cases**

These will be assigned (and/or posted on the blackboard site) as we cover topics to give the opportunity to apply the models and skills developed in class to simulations of the types of analysis and decisions required in business operations. They will not be collected and graded (the answers will be posted on blackboard as well) but we will be discussing them in class and you will not be able to participate and follow the discussion if you have not completed the assignment. These problems and cases are also designed to give you practice for the types of problems you will encounter on the quizzes and exams. You may work together on the problem sets and cases but remember it is much more important to understand how to do the analysis and arrive at decisions rather than acquiring the answer to a particular problem or case.

#### **Quizzes**

These will be unannounced short problems given at the beginning of class and are designed to assess whether you are working and understanding the problem sets and cases. They will be worth ten points each and there will be at least ten of them given during the semester. I will count your eight or nine highest scores toward the calculation of your final grade in the course (no make-up quizzes will be given). The quizzes are to be done by each individual alone. No help is to be given or received while completing the quiz. They are designed to see how each person is keeping up with the material. (Total point value = 80 - 90)

## Examinations

There will be three examinations worth 100 points each. The format will be a combination of multiple choice questions to assess understanding of concepts and problems to assess ability to apply models and skills to do analysis and make decisions. The examinations are to be done by each individual alone. No help is to be given or received while completing the exams. They are designed to see how each person is understanding the material. (Total point value = 300)

## Course Design and Format

This course is designed to use class time to develop knowledge, skills and abilities relevant to executing the finance function in a business organization. We will also examine how the finance function relates to the other functional areas in a successful organization. The subject matter will be introduced through lecture and discussion of the problem sets and cases. The quizzes and examinations will assess how well each student is attaining the knowledge, skills and abilities and will guide the amount of time we spend on each area of the course.

There is no textbook required for this course. I have placed *Principles of Corporate Finance* by Richard Brealey and Stewart Myers on reserve in the Library and cross-referenced the chapters in the subject outline (It is an old edition and is designed to be an example text. If you want to use another text that is fine as well). I will hand out any additional readings as we get to a particular subject area. You will be expected to work and understand the problem sets and cases as they are assigned. If you are having trouble with a particular problem set please bring your questions to class as the rest of the students may benefit from the question and answer.

## Outline of Subject Areas

- I. Firm goals, the finance function and the supply chain (Chapter 1 and 2)
  - A. The goal of the firm
  - B. The role of the finance function in achieving the firm goal
  - C. How the goal affects firm stakeholders
  - D. The supply chain and the functional areas of firm management
  - E. The finance function role in relation to the supply chain
- II. Financial Statement Analysis and Firm Performance (Chapter 29)
  - A. The balance sheet and income statement
  - B. The statement of cash flows
  - C. Ratio analysis
  - D. Monitoring and control
- III. Forecasting and Budgeting (Chapter 29 and 30)
  - A. The sales forecast
  - B. Using historical analysis to construct pro-forma statements
  - C. Forecasting financial needs
  - D. Short-term cash budgeting

## Exam #1

- IV. The time value of money and financial models (Chapter 3)

- A. The concept of asset value
- B. The value of cash flows through time
- C. Annuities and perpetuities

V. Financial Asset Valuation (Chapter 3, 4 and 24)

- A. Bond valuation
- B. Preferred stock valuation
- C. Common stock valuation

VI. Long term project evaluation models (Chapter 5 and 6)

- A. net present value
- B. internal rate of return
- C. profitability index
- D. mutually exclusive projects

VII. Cash flow estimation (Chapter 6)

- A. initial investment
- B. period by period cash flows
- C. terminal value

**Exam #2**

VIII. Risk in project evaluation (Chapter 7 and 8)

- A. project risk
- B. firm risk
- C. capital provider risk

IX. Cost of capital estimation (Chapter 9)

- A. component cost estimation
- B. marginal cost of capital
- C. risk and the required rate of return

X. Optimal capital structure (Chapter 17, 18 and 19)

- A. cost minimization
- B. functional form estimation
- C. other models

XI. Special topics

**Final**