PEPPERDINE UNIVERSITY
THE GEORGE L. GRAZIADIO
SCHOOL OF BUSINESS AND MANAGEMENT

PEGGY J. CRAWFORD
FINC 614.15
FINANCE MANAGEMENT
Fall 2015
FRIDAY, 1:00 pm – 5:00 pm

MALIBU

SYLLABUS
Financial Management
FINC 614.15
Fall 2015

Friday, 1:00 pm – 5:00 pm
Malibu

Professor: Peggy J. Crawford
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E-mail address: pcrawfor@pepperdine.edu

Introduction
Welcome to Financial Management. Understanding this discipline is important not only for your professional life, but your personal life as well. You make financial decisions every day and the theories/practices/techniques you learn in this class can be applied to your personal decisions. We will learn to make our money work for us (as well as the other way around!).

To be successful in this class, you must keep up and you must work problems. The quizzes are structured to encourage this (more in a later section) and practice problems are recommended for most chapters. In addition, I expect you read the assigned chapters before class and use the class period to further understanding and ask questions. Otherwise, you may have difficulties understanding the class lecture and discussions.

You will be required to use Sakai. Materials will be placed there and papers submitted there. If you are not familiar with Sakai, please look at it prior to class. In addition, bring your laptop to class. I will show you how to work problems using Excel and doing them as I show you is the easiest way to learn. I will expect you to use Excel when you submit some problems. If you are not familiar with the basics of Excel (put a formula in a cell, add/subtract/multiply/divide), please review them before class begins.

Course Description
This course prepares the student to explore the major issues in corporate finance. The complexities of financial valuation and decision making are investigated by providing the basic knowledge needed to address the primary areas of concern to the financial manager: the investment or capital budgeting decision, the financial strategy or capital structure question, and working capital management issues. The concepts and theories developed in class are applied to practical, current business situations. Specific topics will include time value of money, valuation of financial instrument, risk assessment, and introduction to capital markets and the global environment. This course integrates concepts from accounting, statistics, and economics.

Student Learning Outcomes
The objective of this course is to introduce students to the theory and practice of financial decision-making. At the conclusion of the course, students should be able to demonstrate managerial level decision making.

1. Students will be able to value stocks, bonds, and a firm.
2. Students will be able to evaluate the use of debt versus equity financing and recommend a source of funds.
3. Students will be able to identify and measure risk factors.
4. Students will be able to communicate their recommendations both orally and in writing.

Texts and Course Materials
If you have a finance textbook from a previous course, feel free to use it. If you do not have a finance textbook, I recommend you use Financial Management: Theory and Practice, by Brigham and Ehrhardt – either the 13th or 14th edition. There are other books by Brigham and other co-authors which are also recommended. Textbooks are very expensive, so I suggest you find a used book and minimize your expense. If you find an inexpensive book that is not one of the Brigham books, check with me to see if it is acceptable. The chapters and problems listed below are for the 14th edition. Note that either the hardcopy or the electronic version is acceptable.

Grading

<table>
<thead>
<tr>
<th>Questions/Problems</th>
<th>250 points</th>
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<tbody>
<tr>
<td>Valuation Cash Flows</td>
<td>30</td>
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<tr>
<td>Firm Valuation – WACC</td>
<td>25</td>
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<tr>
<td>Firm Valuation – report</td>
<td>20</td>
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<tr>
<td>Firm Valuation – presentation</td>
<td>15</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>340 points</strong></td>
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</table>

Note: grades for finance classes average between 3.2 and 3.4. After each question/problem, I will announce the class mean and median.

Questions/Problems
During the first 20 – 45 minutes of 10 class sessions, a problem or question covering the material of the previous class will be assigned. I will not announce when a quiz will be given and it will be necessary to prepare each week – just in case. The assignments will be worth between 20 and 50 points. The assignments are open-note, open-book, but because of the limited time allocated for completion, students should be well prepared. You will submit your answer/solution electronically. If an assignment is missed, students must meet with the professor to receive an alternative problem or question.

Firm Valuation
The firm valuation is a group project. Students should form their own groups.

The group will choose a Fortune 500 company that has had positive earning over the last two years. You will use the tools learned in this class to value the company. This will require that you forecast expected cash flows generated by the company over a five year period, calculate the terminal value at year 5, calculate the appropriate risk-adjusted discount rate, and use discounted cash flow techniques to value the firm. The first step of the project – cash flow forecast and terminal value growth rate – will be due on October 23. The second step – calculation of the WACC – will be due on November 6. The final step – writing a report – will be due on November 20. A detailed explanation of the project will be uploaded in Sakai under “assignments.” Dates are also listed on the class schedule below.

On the last day of class, each team will present their valuation report to the class. This will entail a brief description of the firm, the external environment (including competition) and prospects for the future. This will be followed by an explanation of how cash flows were calculated, how the WACC was calculated, how the value of the firm was calculation, and why the team’s
valuation agrees (disagrees) with that of the market. Presentations should be approximately 15 minutes long plus 5 minutes for questions. All members of the team are expected to take part in the presentation.

**Attendance Policy**
Class attendance is expected. If a class must be missed, the student is expected to notify the professor prior to the class. If a question/problem was given that day, the student must arrange for a make-up exercise immediately.

**Class Notes**
Copies of the class outline will be available on Sakai prior to the class. The notes are Word files, and you may take notes on a hardcopy or the electronic file.

**Suggested Problems**
Finance is learned by doing. I suggest you work the following problems in each chapter. The answers are in Appendix B (you may want to start with the Self-Test Problems which are solved in Appendix A). They will not be handed in or graded, and we will not go over them in class. But, they will help you successfully complete the graded problems and case. It is suggested that you form own study groups to work on the problems. **Note:** Feel free to work more if you would like!

Chapter 2 2-2, 2-3, 2-6, 2-7, 2-9, 2-12, 2-14, 2-15
Chapter 3 3-1, 3-4, 3-9, 3-13
Chapter 4 4-1, 4-2, 4-6, 4-7, 4-8, 4-16, 4-17, 4-26
Chapter 5 5-1, 5-2, 5-7, 5-8, 5-21, 5-22
Chapter 6 6-1, 6-2, 6-4, 6-6, 6-8, 6-10
Chapter 7 7-1, 7-3, 7-4, 7-7, 7-8, 7-11, 7-18
Chapter 9 9-3, 9-4, 9-5, 9-9, 9-11, 9-14, 9-17
Chapter 10 10-8, 10-9, 10-12, 10-13, 10-15, 10-17
Chapter 11 11-4, 11-6, 11-7, 11-10
Chapter 12 12-4, 12-5, 12-9
Chapter 13 13-1, 13-3
Chapter 14 14-1, 14-2, 14-4, 14-7
Chapter 15 15-1, 15-2, 15-3, 15-4, 15-8
Chapter 16 16-1, 16-3, 16-5

**University Code of Ethics**
The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
- Interference with the academic or administrative process of the University or any of the approved activities.
- Otherwise unprotected behavior that disrupts the classroom environment.
- Theft or damage to property.
- Violation of civil or criminal codes of local, state, or federal governments.
- Unauthorized use of or entry into University facilities.
- Violation of any stated policies or regulations governing student relationships to the University.

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

**Dismissal** – separation of the student from the University on a permanent basis.
**Suspension** – separation of the student from the University for a specified length of time.
**Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.”

**Originality of Work**
This course may require electronic submission of essays, papers, or other written projects through the plagiarism detection service Turnitin (http://www.turnitin.com). Turnitin is an online plagiarism detection service that conducts textual similarity reviews of submitted papers. When papers are submitted to Turnitin, the service will retain a copy of the submitted work in the Turnitin database for the sole purpose of detecting plagiarism in future submitted works. Students retain copyright on their original course work. The use of Turnitin is subject to the Terms of Use agreement posted on the Turnitin.com website. You may request, in writing, to not have your papers submitted through Turnitin. If you choose to opt-out of the Turnitin submission process, you will need to provide additional research documentation and attach additional materials (to be clarified by the instructor) to help the instructor assess the originality of your work.
Policy on Disabilities

Assistance for Students with Disabilities

The Disability Services Office (DSO) offers a variety of services and accommodations to students with disabilities based on appropriate documentation, nature of disability, and academic need. In order to initiate services, students should meet with the Director of the DSO at the beginning of the semester to discuss reasonable accommodation. If a student does not request accommodation or provide documentation, the faculty member is under no obligation to provide accommodations. You may contact the Director of Disability Services at (310) 506-6500. For further information, visit the DSO Web site at: http://www.pepperdine.edu/disabilityservices/.
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<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
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<td>1, pp. 9, 524, 528-537</td>
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<td></td>
<td>Mathematics of Finance (on-line)</td>
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<td>09/04/15</td>
<td>Financial Statements</td>
<td>2, 3, 12</td>
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<td>Working Capital</td>
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<td>09/18/15</td>
<td>Review Mathematics, Long-term financing</td>
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<td>09/25/15</td>
<td>Risk and Return</td>
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<td>10/02/15</td>
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<td>10/09/15</td>
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<td>10, 11</td>
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<td>10/16/15</td>
<td>No class – prepare cash flows</td>
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<tr>
<td>10/23/15</td>
<td>Cost of Capital</td>
<td>9</td>
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<td>Cash flows due</td>
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<td>10/30/15</td>
<td>Capital Structure</td>
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<td>11/06/15</td>
<td>Dividends</td>
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<td>WACC due</td>
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<td>11/13/15</td>
<td>Hybrid Financing</td>
<td>19, 20</td>
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<td>Derivatives and Risk Management</td>
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<td>Valuation Report due</td>
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<td>11/27/15</td>
<td>No class – Thanksgiving Holiday</td>
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<tr>
<td>12/04/15</td>
<td>Presentations</td>
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