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

D.J. MASSON

MBFE 655

FINANCIAL MANAGEMENT OF THE FIRM

SUMMER 2016

MON (655-21) & WED (655-23)
6:00 P.M. – 10:00 P.M.
WEST LA CENTER

TUESDAY (655-32)
6:00 P.M. – 10:00 P.M.
ENCINO CENTER

SYLLABUS
Introduction
This course is an in-depth review of basic financial management topics, exposure to some of the more complex topics in financial management, and an introduction to the theory of financial management.

To be successful in this class, you must keep up and you must work problems (problems will be recommended for most chapters). In addition, I suggest that you read the assigned chapters before class and use the class period to further your understanding and to ask questions. Otherwise, you may have difficulties understanding the class lecture and discussions.

You will be required to use the Sakai course management system. Materials will be placed there and spreadsheet assignments may be submitted there. If you are not familiar with this portal, please look at it prior to class. In addition, I strongly suggest you bring a laptop to the classes that indicate we will doing work on Excel. I will show you how to work problems using Excel and doing them as I show you is the easiest way to learn. As will be discussed below, part of your grade is based on completion of spreadsheet problems that will be assigned as part of this class. If you are not familiar with the basics of Excel, please review them before class begins.

Course Description
Students learn to define, comprehend, and apply a market-driven theory in analyzing business opportunities and developing problem-solving strategies as ethical financial decision makers. Important issues such as the amount of investment, selecting assets to invest in, and how to make financing decisions so as to increase the value of the shareholder’s stake in the firm will be addressed in an environment which features uncertainty and the passage of time. Topics explored include: financial markets, financial reporting, the cost of capital, portfolio analysis, capital structure and the value of debt, dividend policy, and cash management.
Course Objectives
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 in the following areas:
1. Analysis of the financial health of the firm.
2. Valuation of stocks, bonds, and the firm.
3. Function and operation of financial markets.
4. Assessment of debt versus equity financing.
5. Evaluation of investment alternatives.
6. Identification and measurement of risk factors.

In addition, students will be expected to communicate these skills both orally and in writing.

Texts and Course Materials
*Fundamentals of Financial Management, 14th Ed.* by Brigham and Houston, Cengage Publishers

Grading
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<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Exam 1</td>
<td>20%</td>
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<td>Exam 2</td>
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<td>Final Exam</td>
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<tr>
<td>Simulation Exercise</td>
<td>15%</td>
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<tr>
<td>Course Project</td>
<td>15%</td>
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<tr>
<td>Spreadsheet Exercises</td>
<td>10%</td>
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<tr>
<td>Total</td>
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Exams
There are two intermediate exams and one comprehensive final exam scheduled for the course. All exams are for three-hours and will be given on an open-note, open-book basis. However, because of the limited time allocated for completion, students should be well prepared. You may use a financial calculator or your laptop for any calculations, but you must show at least the basic setup of the problem on the exam. If an exam is missed, students must meet with the professor to make arrangements for a makeup. *Please note you are on your honor NOT to collaborate with other students via e-mail or instant messaging during the exam.*

Attendance Policy
Class attendance is expected. If a class must be missed, the student is expected to notify the professor prior to the class.
**Spreadsheet Exercises**
There will be a series of spreadsheet exercises that will be posted in the “assignments” area of the class website. These exercises will cover financial models and calculations that will be discussed in class. The due date for the assignments is generally the second class after they are discussed, but may vary depending on the schedule – any changes will be announced in class. These projects should be submitted via the Sakai system, more details will be provided in class as to format and other specifications.

**Class Notes and Lecture Notes**
Copies of the class lecture notes will be available on Sakai prior to each class. They are PowerPoint files and you can either view them on your laptop or print them and bring them to class. Some additional lectures and supplementary materials may be provided in a streaming video format, which can be accessed through the Sakai system. Further details will be provided in class.

**Suggested Problems**
Finance is learned by doing. Suggested problems will be posted on the Sakai site for each chapter and you should work through as many of these as possible. They will not be handed in or graded, but solutions will be provided on class site and we can discuss specific questions you may have in class, time permitting. Since the bulk of the exams will be calculation oriented, working on these problems is absolutely necessary to doing well on the exams. In addition, these calculations are used extensively in the Excel assignments and class project.

**Simulation – Working Capital**
In this Harvard Business Simulation, each student will act as the CEO of a small company, and decide whether to invest in growth and cash-flow improvement opportunities in three phases, over 10 simulated years. More details will be provided in class.

**Other Resources**
The electronic version of the textbook for this course has an excellent web site associated with it. There are many additional exercises, streaming videos, problems and worksheets to help students master the material.
Course Group Project
As part of the course requirements, you must complete a course group project which is worth 15% of your course grade. You will be asked to form groups of 3-5 persons to work on this project and all members of the group will receive the same grade on the project. All groups must prepare both a written report following the guidelines below and a class presentation, in which all of the group members participate. The presentations are scheduled for the last class period. The written portion of the projects is due prior to the last class during the week of August 1, 2016. The guidelines for this project are below:

1. Choose a publicly traded firm your group is interested in
2. Compile Appendices A through G as outlined below
3. Your paper should be in the following form:
   a. Introduction (no more than two pages): Introduce the firm, its business, its industry and key competitors
   b. Specific Company Analysis of Information in Appendices A-E: Analyze the firm over the past 5 years, how and why has it changed. (About 5 pages)
   c. Comparative Analysis of Information in Appendices A-E: Discuss how and why firm’s industry has changed over the past 5 years and how your company has done relative to the overall industry and at least one key competitor. Also, are industry norms relevant to your company? – Why/why not? (About 5 pages)
   d. Examine/explain current and historical P/E ratios (About 2 pages)
   e. Determine a “buy” or “sell” recommendation for the firm. (2 pages)
   f. Based on projections in Appendix F, will the company need to pursue additional external financing over the coming year? (About 2 pages)
   g. Discuss of the company’s ethical position – i.e. Does this company operate in an ethical manner? – Be sure to outline your criteria for ethical practices

Appendix A: Ratio Analysis
This appendix should contain an analysis of key ratios for the chosen company, industry average and key competitor(s). Please use a table format with the ratios as the rows and company, industry and competitor(s) as the columns.

Appendix B: Common Sized Financial Statements
This appendix should contain five years of common sized financial statements for the firm in question.

Appendix C: Yahoo Finance Information
Key information on the company, including analyst opinions and estimates from the Yahoo Finance site.

Appendix D: Current Financial Statements
The most current set of the firm’s annual financial statements, ideally directly from the company or 10-K reports.

Appendix E: DuPont Analysis
For the last five years, construct an expanded DuPont analysis

Appendix F: Financial Statement Forecasting
Develop a forecast of the company’s financial statements and additional funds required (AFR) for the upcoming year using a consensus of analysts’ growth projections and percent of sales approach.

Appendix G: Ethical Position
In your opinion, does this company operate in an ethical manner?
Conduct

“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.” See current GSBMW Catalog.

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, Lauren Breeding at (310) 506-6500 or through email at: lauren.breeding@pepperdine.edu.
Instructor Bio: Dubos J. Masson, Ph.D., CTP, Cert ICM, FP&A

Dr. D.J. Masson is President of The Treasury Academy, and over the past 30 years, has been providing business and financial consulting and training services to a wide variety of corporations, financial institutions, and not-for-profit organizations in the U.S. and abroad. In addition, D.J. has served on the faculty of several universities, and is currently an Associate Clinical Professor of Finance at Indiana University’s Kelley School of Business and Visiting Professor at the Graziadio School of Business and Management at Pepperdine University. Dr. Masson is a frequent conference speaker on a variety of financial, treasury management, and electronic commerce topics and is the author of numerous articles and such financial textbooks as Treasurer’s Handbook of Financial Management, Essentials of Cash Management and Essentials of Treasury Management. D.J. holds an MBA and Ph.D. in Finance from Indiana University and professional certifications in cash/treasury management from both U.S. and UK treasury associations. He also holds a certification in Financial Planning and Analysis (FP&A) from the Association for Financial Professionals.
### Schedule of Classes:

<table>
<thead>
<tr>
<th>Week of</th>
<th>Topic</th>
<th>Chapter</th>
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<tbody>
<tr>
<td>05/02/16</td>
<td>Introduction to Finance</td>
<td>1, 2 &amp; 5</td>
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<td>Financial Markets &amp; Time Value of Money</td>
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<td>Excel #1: Time Value of Money – Prob. 5-41 (Due 5/09)</td>
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<td>05/09/16</td>
<td>Financial Statements, Analysis &amp; Planning</td>
<td>3, 4 &amp; 17</td>
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<td>Excel #2: FP&amp;A – Med-Tech Case (Due 5/16)</td>
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<td>05/16/16</td>
<td>Interest Rates</td>
<td>6 &amp; 7</td>
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<td>Bonds and Their Valuation</td>
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<td>05/23/16</td>
<td>Exam #1 – Chapters 1 – 7 &amp; 17</td>
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<tr>
<td>05/30/16</td>
<td>Due to Holiday – This week’s lecture will delivered on-line</td>
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<td>Risk and Rates of Return</td>
<td>8 &amp; 9</td>
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<td>Stocks &amp; Their Valuation</td>
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<td>Excel #3: Valuation – Prob. 9-22 (Due 6/13)</td>
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<tr>
<td>06/06/16</td>
<td>Cost of Capital</td>
<td>10, 11 &amp; 12</td>
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<td>Capital Budgeting I</td>
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<td>06/13/16</td>
<td>Capital Budgeting II</td>
<td>12 &amp; 13</td>
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<td>Excel #4: Capital Budgeting – Prob. 12-22 (Due 7/07)</td>
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<td>06/20/16</td>
<td>Capital Structure and Leverage</td>
<td>14 &amp; 15</td>
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<td>Dividend Policy</td>
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<td>06/27/16</td>
<td>Exam #2 – Chapters 8 - 15</td>
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<td>07/04/16</td>
<td>July 4th Holiday – No Assignments</td>
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<td>07/11/16</td>
<td>Multinational Financial Management</td>
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<td>Working Capital Management – Part I</td>
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<tr>
<td>07/18/16</td>
<td>Working Capital Management – Part II</td>
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<td>Additional Readings for this lecture will be posted online</td>
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<td>Working Capital Simulation</td>
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<td>07/25/16</td>
<td>Final Exam (Comprehensive)</td>
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<td>08/01/16</td>
<td>Class Project Presentations</td>
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<td><strong>Written Report Due Before Class</strong></td>
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