
Indiana University Bloomington
School of Public and Environmental Affairs
SPEA-V361 FINANCIAL MANAGEMENT (Section 7762)
Spring 2017

Instructor: Yulianti Abbas (yulianti@indiana.edu)
Class hours: Tuesday/Thursday 1:00-2:15 PM
Location: GA 1118
Office hours: Tuesday 11:00 AM – 12:30 PM
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It is expected that you will read this syllabus thoroughly and refer to it throughout the semester. The timing and coverage of topics may be adjusted during the class to better respond to student capabilities. Changes will be announced in class or through Canvas.

Course Overview

This course presents the basic theory of financial management and its application to short- and long-term financing decisions by managers. The theory relates business financial decisions to the pricing of securities in capital markets. The objective of the private firm is to maximize the market value of the firm's equity securities (common stock). This is accomplished through a rational approach to the firm's investments, capital structure, and dividend decisions. The link between corporate financial decisions and capital market prices is explored in conceptually realistic conditions where outcomes are not known with certainty and there are limitations to investor information. Topics covered include: financial statement analysis; time value of money; capital budgeting concepts and techniques; securities valuation; cost of capital and optimal capital structure; risk and uncertainty; investment strategy and portfolio management.

Your objectives should be to learn the basic concepts and nomenclature; to employ the basic language of finance; to apply the basic concepts in a sensible manner; and to make relatively straightforward, but useful computations in an intelligent way. Governmental finance administrators increasingly interact with the private capital markets when they make short- and long-term investments of public funds (including but not limited to cash balances), manage public employee pension systems, and place governmental debt for capital projects. As such, the material covered in this course should be regarded as "required knowledge" for the mid- to senior-level career public finance administrator.

Specific learning objectives are listed at the beginning of each text chapter.

Prerequisites

SPEA-V 246 Elements of Governmental and Non-Profit Financial Accounting *or* BUS-A 201 Introduction to Financial Accounting are prerequisites of this course. Specifically, students are expected to have an understanding of the construction and content of financial statements (Balance Sheet, Income Statement, and Statement of Cash Flows).

A working knowledge of high school algebra is required for this course. Many of the problems on quizzes and exams require algebra to solve. Students who feel their skills are rusty should brush-up using any

number of websites or textbooks available at the library. Completion of a course in basic statistics will be helpful, but is not required. Calculus is not required.

A working knowledge of Microsoft Excel is also required to complete this course. Students unfamiliar with this program should take one of the free classes or self-study tutorials available through University Information and Technology Services (<http://kb.iu.edu/data/atmj.html>).

Textbook

Ross, Stephen A., Randolph W. Westerfield, and Bradford D. Jordan: Fundamentals of Corporate Finance. 11th Edition. New York, NY: McGraw-Hill/Irwin.

Required Calculator

You need to bring a calculator to class **each day**.

Cell phone calculators, translating devices, calculators that save formulas, and similar devices are not allowed during exams. Sharing of calculators during exams is not allowed. Please make sure to learn how to use your calculator in order to avoid surprises during exams.

Computer Skills

Students will be using **Microsoft Excel** to prepare some assignments. Computer skills, per se, are not taught in this class. University Information Technology Services (UITS) offers classes at no charge in various applications, as well as general computer skills. Students are urged to take advantage of these classes (especially Microsoft Excel) if computer instruction is necessary.

Grading

<u>Description</u>	<u>Points</u>	<u>Date</u>
Exam #1	100	Thursday, February 8
Exam #2	100	Thursday, March 22
Exam #3 (final exam)	100	Thursday, May 4
Online quizzes	70	Per schedule
Class Participation and Professionalism	20	(see details below)
Attendance	<u>10</u>	(see details below)
TOTAL POINTS	400	

Grade	Minimum %	Minimum points
A+	97.0%	388
A	93.0%	372
A-	90.0%	360
B+	87.0%	348
B	83.0%	332
B-	80.0%	320
C+	77.0%	308

C	73.0%	292
C-	70.0%	280
D+	67.0%	268
D	63.0%	252
D-	60.0%	240
F	0.0%	0

Exams

There are two exams in this course and well as a final exam. Although exams are not cumulative, the material later in the class builds on topics covered earlier in the semester. Exams can include a variety of question formats: multiple-choice, short answer, and computational problems. Exams will cover topics covered in lectures, required reading, and quizzes.

Missing an exam is serious business. In the rare and unavoidable event that a student misses one of the first two exams for an “excused” reason, there will be a generic, comprehensive make-up exam given during the last week of class. If a student misses the final exam for an “excused” reason, s/he will receive an Incomplete for the course.

Exams will be graded within one week of exam date. Exams will not be returned to the student. They will be retained by the instructor and are available throughout the semester for the student to examine upon request.

Quizzes

Your total take home quiz points contribute heavily to your final grade in this course. There will be a take-home quiz each week, except for vacation and exam weeks. **QUIZZES ARE DUE EACH SUNDAY AT 11:59 PM UNLESS OTHERWISE NOTED ON THE SCHEDULE OR THROUGH ONCOURSE/CANVAS ANNOUNCEMENTS.**

Students may discuss these quizzes with each other, but keep in mind IU’s policies about academic dishonesty when you do so. For example, asking another student about an aspect of a particular problem is allowed; getting the answer from another student without working out the problem in your own is cheating.

Quizzes will be administered through *CANVAS*.

Participation, Professionalism, and Attendance

Students are expected to complete this course, as any professional would be expected to complete an important assignment. Guidelines, as stated in the SPEA Honor Code, will be observed. Questions, discussion, and differing opinions on course material are certainly encouraged – but should always be voiced with professionalism and courtesy. Individual concerns or complaints should be addressed during office hours – not during class time. Participation points will be earned through various activities conducted and/or assigned in-class. Unprofessional actions will result in a deduction of points *at the sole discretion of the instructor* from the total 20 points in the “Class Participation” category.

Attendance will be taken each class period. Students can miss 3 regular (non-exam) class periods during the semester without providing any explanation. For each absence beyond that, I will subtract points off the Attendance points regardless of the reason (late enrollment is not an exception). Be sure to arrive to class on time. Chronic tardiness will also result in lost attendance points. You will be marked absent if you leave class early without substantial justification. You will also be marked absent if you are caught “goofing around” during class (e.g., doing crossword puzzles, browsing the web, fooling with your cell phone, chatting, etc.).

IU maintains policies regarding absences for religious holidays and other similar absences. Please consult the IU student handbook for necessary forms and procedures.

Communication

We will utilize **Canvas** throughout the semester to facilitate class e-mail and other communication as needed. The site may be accessed via the Internet at canvas.iu.edu. **Students are required to regularly check messages and announcements.**

In order to verify the identity of all parties involved, **all** email communication must originate from an Indiana University email account.

You can contact me through Indiana University email account listed in this syllabus. If you send email via Canvas, make sure you also send a copy to my email address. I reply to email within 24 hours (expect 48 hours delay over the weekend). If you do not hear from me after 48 hours, please feel free to email me again. If your email necessitates lengthy clarification of class readings or assigned problems, I will ask you to come see me about your concerns/questions during office hours.

Course Schedule

The course schedule is listed on the next page. Please note that dates scheduled for topics and exams are tentative and may be adjusted in response to class performance.

<u>Week of</u>	<u>Material</u>	<u>Chapter</u>	<u>Online Quizzes Due Sunday 11:59 PM</u>
January 9	Course introduction; Introduction to Corporate Finance Financial Statements, Taxes, and Cash Flow	1 2	Ch 1 (Jan 15)
January 16	Financial Statements, Taxes, and Cash Flow Working with Financial Statements	2 3	Ch 2 (Jan 22)
January 23	Working with Financial Statements Long-Term Financial Planning and Growth	3 4	Ch 3 (Jan 29)
January 30	Long-Term Financial Planning and Growth	4	Ch 4 (Feb 5)
February 6	Review for Exam 1 Thursday, February 8: EXAM #1 (Chapter 1-4)		
February 13	Introduction to Valuation: The Time Value of Money Discounted Cash Flow Valuation	5 6	Ch 5 (Feb 19)
February 20	Discounted Cash Flow Valuation Interest Rates and Bond Valuation	6 7	Ch 6 (Feb 26)
February 27	Interest Rates and Bond Valuation Stock Valuation	7 8	Ch 7 (March 5)
March 6	Stock Valuation	8	Ch 8 (March 12)
March 13	Happy Spring Break!		
March 20	Review for Exam 2 Thursday, March 22: EXAM #2 (Chapter 5-8)		
March 27	Net Present Value and Other Investment Criteria	9	Ch 9 (April 2)
April 3	Making Capital Investment Decisions	10	Ch 10 (April 9)
April 10	Project Analysis and Evaluation	11	Ch 11 (April 16)

April 17	Return, Risk, and the Security Market Line Risk and Return: Some Lessons from Capital Market History	12 13	Ch 12-13 (April 23)
April 24	Cost of Capital Review for Exam 3	14	Ch 14 (April 30)
May 4 2:45-4:45 pm	FINAL EXAMS (Chapter 9-14)		

Academic Honesty – IU and SPEA policies

Academic Dishonesty

SPEA faculty do not tolerate cheating, plagiarism, or any other form of academic dishonesty. If you have not done so, you should read the IUB *Code of Student Rights, Responsibilities, and Conduct*, which can be accessed at <http://www.iu.edu/~code/code/index.shtml> so you will be sure to understand what these terms mean and what penalties can be issued for academic dishonesty. Academic dishonesty can result in a grade of F for the class (an F for academic dishonesty cannot be removed from the transcript). Significant violations of the Code can result in expulsion from the University.

Plagiarism is using another person's words, ideas, artistic creations, or other intellectual property without giving proper credit. According to the *Code of Student Rights, Responsibilities, and Conduct*, a student must give credit to the work of another person when he/she does any of the following:

- a. Quotes another person's actual words, either oral or written;
- b. Paraphrases another person's words, either oral or written;
- c. Uses another person's idea, opinion, or theory; or
- d. Borrows facts, statistics, or other illustrative material, unless the information is common knowledge.

Civility

Civility is important in an academic community to ensure that all parties—students, staff, and faculty—are working in an environment that fosters achievement of the individual's and community's goals and objectives. Civility requires all parties to demonstrate personal integrity and conduct themselves in a manner that shows respect, courtesy and tolerance to others. Examples of discourteous behaviors during class include reading the newspaper, listening to headphones, talking or laughing with others, chronically arriving late, and so forth. These behaviors are distracting to the instructor and classmates, and SPEA faculty will address these problems as they arise. Maintaining and fostering civility inside and outside the classroom is especially important to SPEA, which is a professional school.

Pursuant to the Indiana University Student Code of Conduct, disorderly conduct which interferes with teaching, research, administration, or other university or university-authorized activity will not be tolerated and will be immediately reported to the Office of The Dean of Students for appropriate disposition which may result in disciplinary action including possible suspension and/or expulsion from the university.

Course Withdrawals

Students who stop attending class without properly withdrawing from the class may receive a grade of F. It is important to withdraw from a course within specified timeframes (see chart below). Note that withdrawals after Week 12 of a regular session or Week 4 of a summer session are rarely granted. **Poor performance in a course is not grounds for a late withdrawal.**

No withdrawal forms will be processed in the Office of the Registrar after the last day of classes. Any requests for a late withdrawal after the last day of classes must go through the grade appeal process, but each student should remember that in accordance with campus policy, SPEA does not permit a student to withdraw from a course if he/she has completed the course requirements. Grade replacement should be used in this case. To withdraw, obtain a withdrawal slip (DROP/ADD Form) from the SPEA Student Services window. Instructions for completing it are given on the form.

Withdrawal Deadlines	
Course deleted from record, no grade assigned, 100% refund (Advisor signature IS NOT required)	Week 1 (last day)
Withdrawal with automatic grade of W (Advisor signature IS required)	Week 2– Week 7 (regular session) Week 2 – Week 3 (summer session)
Withdrawal with grade of W or F (Advisor and instructor signatures ARE required)	Week 8 – Week 12 (regular session) Week 3 – Week 4 (summer session)

Incompletes

A grade of incomplete (I) indicates that a ‘substantial portion’ of the work in a course has been satisfactorily but not entirely completed by the student as of the end of the semester. The incomplete can be given to a student facing a hardship such that it would be unjust to hold the student to the established time limits for completing the work. To be eligible for the incomplete in a SPEA course, the student’s work must be of passing quality, and the student must have completed 75% of the course requirements. **Poor performance in a course is not grounds for an incomplete.** SPEA follows the campus guidelines in awarding incompletes which may be accessed at the Office of the Registrar’s website at:

http://registrar.indiana.edu/stu_grades.shtml

Incompletes must be removed within a time period not to exceed one year after the semester in which the student was enrolled in the course. The incomplete will revert to an ‘F’ if the work is not completed within the allotted timeframe established by the instructor.

Students Called to Active Duty

SPEA encourages any student who is in the Indiana Military Reserves and is called to active duty to finish his/her coursework if at all possible. Students who cannot complete their courses have the option of withdrawing with 100% fee refund, but this request must be made within one week of being called to active duty. Students who are called to active duty may qualify for an incomplete (provided that all the above criteria have been met). For further information, please see the Office of the Registrar’s website at:

http://registrar.indiana.edu/stu_infopoli.shtml

Electronic devices

Turn off your cell phone as soon as you enter the classroom. You may not use your cell phone (even as a calculator). Should you need to keep his phone switched on for any important reason, the course

instructor should be consulted before the class starts. If you are caught texting during class, you will be asked to leave and you will be marked as absent from class.

Many SPEA instructors do not allow laptops in the classroom, because they can be disruptive if used for non-course activities. But when laptops are used appropriately, they can enhance the learning experience. Therefore, laptops/tablets will be allowed in this classroom on a provisional basis. The conditions are: 1) The instructor will ask students with laptops to regularly look-up materials during class. Students with laptops will be called on regularly to participate in class. 2) The instructor reserves the right to look at your monitor. If you are found to be engaging in non-course activities, you will be banned from bringing a laptop to class again. 3) This is an experimental policy. The instructor reserves the right to withdraw laptop privileges from all students without reason or explanation.