MICHIGAN ROSS

FIN 503 – FINANCIAL MANAGEMENT

Fall 2019

Professor: (Sections):	Matteo Crosignani (1, 3, 4)	Uday Rajan (2, 5)
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Office Hours:	Tuesday 4-6 pm Or by appointment	Tuesday 4-6 pm Or by appointment

Course Overview

This course is the introductory course in Financial Management in the MBA program. The purpose of this course is to equip students with the fundamental tools and techniques essential for a financial manager or a general manager with a good understanding of finance. This course is also designed to provide a foundation for subsequent coursework in valuation, corporate finance, and investments.

Covered Topics

The primary focus of this course is on financial valuation. We will first discuss the concept of present value in extensive detail and then apply the principles of valuation to value (a) investment projects and (b) financial securities (stocks and bonds). Since financial decision-making virtually always involves risk and uncertainty, we will then introduce the concept of risk from the perspective of modern portfolio theory. We will integrate our knowledge of cash flow valuation with our understanding of risk to modify valuation techniques in the presence of

uncertainty. The course will conclude with an introductory treatment of the effects of financing on capital budgeting decisions.

The primary objective of the class is to equip you with the ability to make financial decisions, evaluate investment choices, and determine the cost of capital for your firm.

Textbook (optional)

Corporate Finance by Berk and DeMarzo (Pearson, 5th Edition). Some editions come with MyFinanceLab access, which will not be required for our class. We will not directly refer to the textbook in class. If you prefer to obtain an electronic copy of the book, please see https://www.vitalsource.com/products/corporate-finance-jonathan-berk-peter-demarzo-v9780134999463.

Note: The differences with previous editions are minor.

You may (and are encouraged to) use Excel on all course assignments and on the final exam. Financial calculators, while permitted, are not required.

Grading Policy

Group problem sets (4)	20%
Individual assignment	20%
Final exam	45%
Class participation	15%

The lowest group problem set score will be dropped automatically.

Group Problem Sets

The group problem sets can be done in groups of 1 to 4 students. You are welcome to determine the group size that fits your preferences. All group members should come from the same section. To facilitate the matching process, there is a thread "Group Coordination" under Discussions on the Canvas site. You are encouraged to start your group coordination early because the first group homework is due on **Sunday, November 3**.

Homework assignments and their solutions will be posted on Canvas. All problem sets are to be submitted electronically via Canvas by 9pm (the evening before class) on the dates specified in the course schedule. The preferred method of submission is an Excel file. If you prefer to submit hand-written answers for any problem, you can do so by scanning your work and submitting it as an electronic file on Canvas. The submitted file should list the names of all group members, so that each team participant will receive credit. Only one person per group (any team member)

needs to submit the team homework on Canvas. The graded assignment will be returned to the submitting team member via Canvas (with some feedback on your submission). The submitting team member is responsible for sharing this feedback with the rest of the group. All team members should be able to see their grades on Canvas.

Individual Assignment

The individual assignment is similar in its structure to the group problem sets. While the goal of the group problem sets is to build on team members' complementary skills to advance each other's knowledge, the purpose of the individual assignment is to assist you with reviewing course material from the first six lectures. To give you an opportunity to apply the skills you have developed, you are asked to complete this problem set individually.

Course Materials

Electronic copies of class notes, news articles, and Excel spreadsheets will be posted on Canvas shortly before each class. For convenience, we will also bring hard copies of lecture slides to each class. There is no course pack, and all class materials will be available via Canvas.

Final Exam

The final exam is comprehensive. The format of the exam is open book and open notes. You are also permitted to use your laptop computers on the exam.

Honor Code

Personal integrity and professionalism are fundamental values of the Ross Business School community. This course will be conducted in strict conformity with the Academic Honor Code. The Code and related procedures can be found at http://www2.bus.umich.edu/MyiMpact/academics/ross-community-values. The site also contains comprehensive information on how to be sure that you have not plagiarized the work of others. Claimed ignorance of the Code and related information appearing on the site will be viewed as irrelevant should a violation take place. Non-Ross Business School students taking the course should also familiarize themselves with the Code as they will be subject to the Code while in this course.

There are also a few rules specific to our course:

- You may discuss group problem sets with students outside of your group. However, you are not allowed to copy part or all of someone else's spreadsheet on an assignment. Each group should produce its own solutions to each problem set.

- The individual assignment should be completed by yourself, without contacting anyone else.

Special Accommodations

The University of Michigan is committed to providing equal opportunity for participation in all programs, services and activities. Students wishing to receive testing accommodations must register with the University of Michigan Services for Students with Disabilities (SSD) office as soon as possible. Students must then submit their Verified Individualized Services and Accommodations (VISA) form online as early as possible, **but no later than two weeks prior to the first test or quiz for which accommodations are requested**. Accommodations arrangements are not guaranteed for students who submit their VISA form with less than two weeks' notice.

Requests must be sent using the Ross Accommodations Request Form and must include a scanned or photographed copy of the VISA form. This form only needs to be submitted once during your academic career with Ross unless your accommodations eligibility expires.

In rare cases, the need for an accommodation arises after the two week deadline has passed (example: a broken wrist). In these cases, students should still contact SSD and the Ross Accommodations Coordinator. However, due to logistical constraints, we cannot guarantee that an accommodation can be made after the two week deadline has passed.

Questions can be directed to the Ross Accommodations Coordinator at RossAccommodationsCoordinator@umich.edu.

Course Schedule

Session	Date	Topic	Textbook Ch.	
1	Mon Oct 28	Introduction, Present Value, and Law of One Price	1 3.2-3.3 3.4-3.5	
2	Wed Oct 30	Time Value of Money Interest Rate Quotes	4.1-4.5 5.1-5.2	
3	Mon Nov 4	Valuing Bonds	6.1-6.2, 6.4-6.5	HW1 due at 9pm, Sunday, Nov 3
4	Wed Nov 6	Investment Decision Rules	7.1-7.5	
5	Mon Nov 11	Capital Budgeting	8.1-8.3	HW2 due at 9pm, Sunday, Nov 10
6	Wed Nov 13	Valuing Stocks	9.1-9.2,9.4	
7	Mon Nov 18	Risk and Return	10.1-10.5	Indiv. Assignment due at 9pm, Sunday, Nov 17
8	Wed Nov 20	Optimal Portfolio Choice Capital Asset Pricing Model	11.1-11.6 11.7-11.8	
9	Mon Nov 25	CAPM continued Weighted Average Cost of Capital	10.5-10.8 12.1-12.6	HW3 due at 9pm, Sunday, Nov 24
	Wed Nov 27	No Class --- Thanksgiving Break		
10	Mon Dec 2	Capital Structure	14.2-14.3,15.2	
11	Wed Dec 4	Investment Frictions: Individual Behavior and Market Efficiency	13.1-13.4	
12	Mon Dec 9	Capital Structure with Frictions Course Wrap-Up	16.3-16.4	HW4 due at 9pm, Sunday, Dec 8
13	Fri Dec 13	Final Exam		12:45-3:45pm