



Lahore University of Management Sciences

FINN 200 – Intermediate Finance

Fall Semester 2017

(Tentative-Under review)

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COURSE BASICS

Credit Hours	3			
Lecture(s)	Nbr of Lec(s) Per Week	2	Duration	75 minutes
Recitation/Lab (per week)	Nbr of Lec(s) Per Week		Duration	
Tutorial (per week)	Nbr of Lec(s) Per Week		Duration	

COURSE DISTRIBUTION

Core	ACF-Core
Elective	
Open for Student Category	ACF
Close for Student Category	

COURSE DESCRIPTION

This course addresses major decision making areas of corporate finance within the framework of finance theory and practices. It complements and supplements concepts covered in *Principles of Finance*. Some of the concepts previously covered are refreshed with broader perspective and more rigorous analysis to provide solid grounding in time value of money, project analysis, and asset pricing. Portfolio theory and risk-return tradeoff implications for corporate finance decisions are examined in-depth. The course focuses on investment and financing decisions. Capital investments are evaluated under conditions of uncertainty and risk. Real options embedded in capital projects are also introduced. Financing decisions are examined through cost of capital, capital structure theory, and dividend policy. Valuation of securities integrates the impact of both investment and financing decisions. Other topics covered include review of derivative instruments, valuation of options including convertible securities, and insights from option pricing framework for investment and financing decisions.

COURSE PREREQUISITE(S)

•	Principles of Finance (FINN 100)
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COURSE LEARNING OUTCOMES (CLO)

	Upon successful completion of this course, students should be able to: <ol style="list-style-type: none">1. Acquire the knowledge, skills, and understanding of the fundamental concepts and mainstream theories and practices in corporate finance.2. Evaluate investment projects, value assets and securities, explain risk-return trade-offs, and analyze capital projects under the conditions of risk, uncertainty as well in the presence of real options.3. Demonstrate understanding of capital structure theories and appreciate their implications for the value of a firm.4. Comprehend the rationale behind the payout policies in corporate finance
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Lahore University of Management Sciences

	<p>5. Demonstrate understanding of the derivative markets, their implications for corporate finance; and estimate the value of options and futures.</p> <p>6. Discuss and debate the ethical perspective in Finance.</p> <p>7. Present and discuss their analysis and decision effectively, both in oral and written forms. (General Learning Goal)</p>
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UNDERGRADUATE PROGRAM LEARNING GOALS & OBJECTIVES

	<p><u>General Learning Goals & Objectives</u></p> <p>Goal 1 –Effective Written and Oral Communication Objective: Students will demonstrate effective writing and oral communication skills</p> <p>Goal 2 –Ethical Understanding and Reasoning Objective: Students will demonstrate that they are able to identify and address ethical issues in an organizational context.</p> <p>Goal 3 – Analytical Thinking and Problem Solving Skills Objective: Students will demonstrate that they are able to identify key problems and generate viable solutions.</p> <p>Goal 4 – Application of Information Technology Objective: Students will demonstrate that they are able to use current technologies in business and management context.</p> <p>Goal 5 – Teamwork in Diverse and Multicultural Environments Objective: Students will demonstrate that they are able to work effectively in diverse environments.</p> <p>Goal 6 – Understanding Organizational Ecosystems Objective: Students will demonstrate that they have an understanding of Economic, Political, Regulatory, Legal, Technological, and Social environment of organizations.</p> <p><u>Major Specific Learning Goals & Objectives</u></p> <p>Goal 7 (a) – Discipline Specific Knowledge and Understanding Objective: Students will demonstrate knowledge of key business disciplines and how they interact including application to real world situations (Including Subject Knowledge).</p> <p>Goal 7 (b) – Understanding the “science” behind the decision-making process (for MGS Majors) Objective: Students will demonstrate ability to analyze a business problem, design and apply appropriate decision-support tools, interpret results and make meaningful recommendations to support the decision-maker</p>
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Indicate below how the course learning objectives specifically relate to any program learning goals and objectives.

PROGRAM LEARNING GOALS AND OBJECTIVES	COURSE LEARNING OBJECTIVES	COURSE ASSESSMENT ITEM
Goal 1 –Effective Written and Oral Communication	Students get a number of opportunities to demonstrate their ability to communicate effectively (CLO #7)	CP, Quizzes and Exams
Goal 2 –Ethical Understanding and Reasoning	Ethical perspectives in course introduction and various mini-cases are highlighted (CLO # 6)	CP, Quiz
Goal 3 – Analytical Thinking and Problem Solving Skills	Major Goal: Analytical thinking and problem solving skills are essential for success in this course (CLO #1-5)	CP, Quizzes and Exams
Goal 4 – Application of Information Technology	Application of information technology in preparing for homework and assignments	



Lahore University of Management Sciences

Goal 5 – Teamwork in Diverse and Multicultural Environments	Students work in groups of 4-5 persons each to prepare assignments. Most assignments comprise of a mini-case. These case settings are global and multicultural.	
Goal 6 – Understanding Organizational Ecosystems	Students develop understanding of the interaction of a firm with the financial market, industry and economy (CLO # 2-5)	CP, Quizzes and Exams
Goal 7 (a) – Program Specific Knowledge and Understanding (Subject knowledge)	Major Goal: Comprehensive coverage of topics in intermediate Financial Management (CLO #1-6)	CP, Quizzes, and Exams
Goal 7 (b) – Understanding the “science” behind the decision-making process	NA	CP, Quizzes, and Exams

GRADING BREAKUP AND POLICY

Source	% of Total
Quiz:	15
Class Participation:	10
Project:	20
Midterm Examination:	25
Final Examination:	30
Total	100

Class Participation and Attendance: Students are expected to attend all classes. If you are not present at the beginning of a class or leave class during the session without instructor’s prior permission, you will be considered absent for the day. If number of absences exceed three for whatever reason including petitioned reasons, you will get a deduction of 2 percent from grade for each additional absence. If number of total absences exceed 7, course will automatically be considered Incomplete and an I grade will be assigned. You must review the assigned materials in advance of the class in order to contribute meaningfully to class discussions. A significant portion of the course grade depends on the quality and level of your involvement and input in class discussions.

Quizzes: Several unannounced quizzes will be given on the assigned material during the term. No make-up quizzes will be given whatsoever. However, one lowest quiz grade including a zero for a missed quiz will be disregarded.

Examinations: Both exams (mid-term and final) will comprise open-ended questions/problems or case-like situations.

Calculator Requirement: You will need a basic scientific calculator for this course. Mobiles cannot be used as calculators and financial calculators are not allowed in class or exams.

EXAMINATION DETAIL

Midterm Exam	Yes/No: Yes Combine Separate: Duration: 3 hours Preferred Date: 14 th Session Exam Specifications:
Final Exam	Yes/No: Yes Combine Separate: Duration: 3 hours Exam Specifications:



Lahore University of Management Sciences

COURSE OVERVIEW			
WEEK/ LECTURE/ MODULE	TOPICS	RECOMMENDED READINGS	OBJECTIVES/ APPLICATION
MODULE 1: Valuation and Capital Structure			
Session 1	Introduction and course requirements Basic Financial Concepts and global Financial Markets Outlook	None	Basic Financial Concepts and global Financial Markets Outlook
Session 2-3	Discounted Cash Flow Valuation	RWJ Ch 4	One Period and Multi-Period Valuation
Session 4-5	Net Present Value and other Investment Rules	RWJ Ch 5	Introduction and Implementation of NPV, PB, DPB, PI and IRR methods.
Session 6-7	Making Capital Investment Decisions	RWJ Ch 6	Incremental Cash Flows and Discounted Cash Flow Analysis
Session 8-9	Risk Analysis, Real Options and Capital Budgeting	RWJ Ch 7	Sensitivity Analysis, Scenario Analysis, MC Simulations and Decision Trees
Session 10	Capital Market Efficiency	RWJ Ch 14	Market Efficiency and Behavioral Challenges
Session 11	Capital Structure Theories	RWJ Ch 16	MM-I and MM-II
Session 12	Debt and Financial Distress	RWJ Ch 17	Costs of Debt and Pecking Order Theory
Session 13	Dividend Payout Policy	RWJ Ch 19	Types of Payout Policies and their implications
Session 14	Mid-Term Examination		
MODULE 2: Developments in Investment and Portfolio Management Theory			
Session 15-16	An Introduction to Portfolio Management	RB Ch 7	Risk Aversion, Markowitz Portfolio Theory
Session 17-18	An Introduction to Asset Pricing Models	RB Ch 8	CAPM – its assumptions and tearing apart assumptions
MODULE 3: Analysis and Management of Common Stocks & Bonds			
Session 19-20	Company Analysis and Stock Valuation	RB Ch 14	Company Analysis, Stock Valuation, Earning Multipliers and Measures of Relative Value
Session 21-22	Bond Fundamentals	RB Ch 17	Global Bond Market Structure Basic Features of Bonds Bond Prices
Session 23-24	The Analysis and Valuation of Bonds	RB Ch 18	Bond Valuation, Bond Yields, Spot and Future Bond Prices, Term Structure Theories



Lahore University of Management Sciences

MODULE 4: Derivative Security Analysis

Session 25	An Introduction to Derivative Markets and Securities	RB Ch 20	Overview of Derivative Markets, Investing with Derivative Securities, Derivatives and Portfolio Management
Session 26	Forward and Future Contracts	RB Ch 21	Forward and Future Trading Hedging and Speculation with Futures and Forwards
Session 27	Option Contracts	RB Ch 22	Basic features and types of options Option Valuation and trading
Session 28	Swap Contracts, Convertible Securities, and Other Embedded Derivatives	RB Ch 23	OTC Interest Rate Agreements Swap features and types, Warrants and Convertible Securities

TEXTBOOK(S)/SUPPLEMENTARY READINGS

Required Textbooks:

- Ross, Westerfield, Jaffe and Kakani, *Corporate Finance*, 10th Edition, McGraw Hill, (RWJ)
- Reilly, Frank and Brown, K., *Analysis of Investments & Management of Portfolios*, 10th Edition, Thomson South-Western (RB),

Supplementary Readings:

- Case studies as announced during the course term.
- Students are encouraged to read financial publications such as The Wall Street Journal, Financial Times; Business Recorder to stay abreast of developments related to this course