**ECB 210: Introduction to Financial Management**

October/November 2018(Block 3)

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**Classroom:** College Hall 118

**Class Hours:**

Monday, Wednesday, Friday: **9-12**

Tuesday, Thursday: **9-11 am and 1-2 pm**

**Office Hours:**

Monday, Wednesday, Friday: **1-2 pm** or by appointment

**Prerequisites:** ECB 151

**Course Overview and Objectives**

This course provides a basic understanding of business finance from the company's perspective. The primary objective of this course is to introduce basic financial concepts and decision-making techniques, and applications in financing and investment decisions in a corporation. We will cover two major areas of corporate finance: corporate investing (capital budgeting) and financing (capital structure) activities. The specific objectives are:

* Enhance the understanding of four major financial statements.
* Introduce/Review Time Value of Money concept and its applications, including valuation and capital budgeting. This is one of the most important tools in finance.
* Understand the Law of One Price concept and NPV decision rule. It is the most fundamental principle in finance.
* Develop skills that allow you to assess a corporation’s cost of capital, both for debt and for equity.
* Introduce the fundamentals of capital budgeting (investing) and capital structure (financing).
* Learn the method of policy-making: beginning from the perfect market, and then considering the impacts of different market frictions.

*This course supports the Educational Priorities and Outcomes of Cornell College with emphases on knowledge, reasoning, inquiry and communication.*

**Course Material**

**Required Text:**

**Fundamentals of Corporate Finance** (3rd edition), by Jonathan Berk & Peter DeMarzo & Jarrad Harford, Prentice Hall, (ISBN: 013350767X). It is available at the College Bookstore.

* **Harvard Case Studies:** https://cb.hbsp.harvard.edu/cbmp/pages/content/cases(also see “case study” on the next page)
* **Wall Street Journal** (Cole Library 4th floor, Newspapers; or electronically available through ProQuest). You can use the following link to access WSJ articles using library computers:

https://search.proquest.com/publication/10482/citation?accountid=41461

* **Financial Calculator,** Texas Instruments BAII *Plus*

**Class Format**

The morning sessions will be mostly dedicated to lectures based on our textbook, In-class problem sets designed to review important concepts and develop analytical skills, case studies and exams. During the afternoon sessions we will spend our time on reviewing homework assignments, group presentations and discussions. The lecture notes will be available on Moodle. However I will be mostly using the board for lecturing and you may need to take additional notes in class. I expect you to read the lecture notes and the assigned chapter of the textbook before each session and actively participate in class discussions.

* **Please bring your laptop and calculator with** 𝒙𝒚**key so that you can participate (financial calculator is strongly recommended for this course)**
* **Please do not be shy about asking questions or asking me to repeat anything that is not clear to you.**

**Grading**

1. **3 Exams 50%**

Exam1: 15%, Exam2: 15%, Final: 20%

1. **Daily Quizzes 12%**

Quizzes are based on the material learned in the previous session.

1. **Assignments**  **30%**

12% individual+12% case studies +6% group reading

1. **Class participation** **8%**

* I reserve the right to use my discretion at the margin, and things such as class participation will be considered in borderline cases.

**Grade Scale**

A 100-93 A- 92-90

B+ 89-87 B 86-83 B- 82-80

C+ 79-77 C 76-73 C- 72-70

D+ 69-67 D 66-63 D- 62-60

F 59-

**Exams**

There are 2 midterm exams and a final. All exams are closed book, and to be done independently. You may bring one page of **only hand-written formulas** and not share with others. The final exam is cumulative with more focus on materials not covered in the first 2 exams. You can use (simple/financial) calculators during the exam. See the course schedule for the exam dates.

**Case Studies**

We will study **three cases** during this course that will help you apply your knowledge to real life situations and financial data. **I expect your active and effective participation in case discussions.** Case studies provide a good opportunity to enhance your teamwork skills. For each case, I will assign study questions to guide your preparation for class discussion. You are expected to discuss those questions with your team members before class. After the class discussion, your group will hand in a brief (about two pages) memorandum according the guidelines I will provide. Each case study forms 4 % of your final grade. Your memorandum must be typed and double spaced. It is due one day after the class discussion. **No late work accepted.**

**Reading assignments**

Reading assignments are to be done in groups and each account for 3% of your final grade. I will assign each group few articles from WSJ, Economist or other financial journals to read and discuss among your team members. During the class each group will deliver a 10 minute presentation of the articles and connect them to our class lectures. Articles are going to be around a similar topic for all groups to elicit discussions. Each group should also read the articles assigned to other groups before class and be ready to ask at least two relevant questions after their presentations. Your grades are based on the quality of your presentation and your active participation in discussions.

**Class Participation**

You are expected to **attend every class on time** and **actively participate in class discussions and activities**. If you are late for three times or more, you will lose all participation points. If you miss three days of class or more, you will get a “D” or an “F”. If you are unable to attendthe class due to illness, you must email me prior to class. Students absent from class are stillresponsible for the respective homework assignments. These assignments can be submittedelectronically via Moodle.

**Electronic policy**

Please keep your cell phones, laptops or any electronic devices **turned off** during class. The only exception is when I ask you to use laptops for the purpose of class activities. Please do not use any other electronic devices as calculator.

**Academic Honesty**

Academic dishonesty will not be tolerated and will be dealt with in accordance with Cornell’s Student regulations. For more information see

http://www.cornellcollege.edu/registrar/academic-catalogue/index.html#p=32.

**Special Needs**

Students who need accommodations for learning disabilities must provide documentation from a professional qualified to diagnose learning disabilities. For more information see

http://www.cornellcollege.edu/disabilities/documentation/index.shtml.

Students requesting services should schedule a meeting with the disabilities services coordinator as early as possible to discuss their needs and develop an individualized accommodation plan. Ideally, this meeting would take place well before the start of classes.

At the beginning of each course, the student must notify the instructor within the first three days of the term of any accommodations needed for the duration of the course.

**Tentative Course Schedule**

This schedule is preliminary and will be adjusted as necessary based on the pace of the class.

* I expect you to read the chapter listed, prior to the day we begin discussing the material in that chapter.

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| --- | --- | --- | --- |
| **Date** | **Topic** | **Chapter** | **Assignment Due Dates** |
| **Week1** | | | |
| 1. Oct. 22 | Introduction (Lecture 1) | 1 |  |
| 1. Oct. 23 | Financial Statement Analysis (Lecture 2)  ***Start Case 1*** | 2 |  |
| 1. Oct. 24 | Financial Statement Analysis (Lecture 2) | 2 | HW1 |
| 1. Oct. 25 | Financial Statement Analysis (Lecture 2) | 2 |  |
| 1. Oct. 26 | Time Value of Money (Lecture 3) | 3&4 | HW2; Case1 Report Due |
| **Week 2** | | | |
| 1. Oct. 29 | Bond and Stock Valuation (Lecture 4)  ***Review Case1 and Start Case2*** | 6&7 |  |
| 1. Oct. 30 | Bond and Stock Valuation (Lecture 4)  ***Review*** | 6&7 | HW3 |
| 1. Oct. 31 | **MID-TERM EXAM on Lectures 1,2,3,4** | | |
| 1. Nov. 1 | Investment Decision Rules (Lecture 5) | 8 | Group presentation 1 |
| 1. Nov. 2 | Investment Decision Rules (Lecture 5) | 8 | HW4; Case2 Report Due |
| **Week 3** | | | |
| 1. Nov. 5 | Capital Budgeting (Lecture 6)  ***Review Case2 and Start Case 3*** | 9 |  |
| 1. Nov. 6 | Capital Budgeting(Lecture 6)  ***Review*** | 9 | HW5 |
| 1. Nov. 7 | **MID-TERM EXAM on Lectures 5,6** | | |
| 1. Nov. 8 | Cost of Capital and CAPM (Lecture 7) | 16 | Group presentation 2 |
| 1. Nov. 9 | Capital Structure (Lecture 8) | 16 | Case3 Report Due |
| **Week 4** | | | |
| 1. Nov. 12 | Capital Structure (Lecture 8)  ***Review Case3*** | 16 | HW6 |
| 1. Nov.13 | ***Final Review*** |  |  |
| 1. Nov.14 | **Final Exam (Cumulative)** | | |