

Arizona State University
W.P. Carey School of Business
FIN 361 - Advanced Managerial Finance
Fall 2016, Prof. Jessie Jiaxu Wang

Course Syllabus

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| Instructor: | Prof. Jessie Jiaxu Wang |
| Office: | BAC 526 |
| Email: | Jessie.Jiaxu.Wang@asu.edu |
| Class Times: | 87932: Tuesday and Thursday, 1:30 - 2:45pm, BAC 323 73038: Tuesday and Thursday, 3:00 - 4:15pm, BAC 323 71113: Tuesday, 6:00pm - 8:45pm, BAC 313 |
| Office Hours: | Tuesday and Thursday 4:15 - 5:00pm at BAC 526 or by appointment |
| TAs: | Dongyue Wang, dwang99@asu.edu, Monday 9:30 - 11:30, BAC 554 Michael Swenson, miswenson41@gmail.com, Tuesday 10 - 12, BAC 554 |

Course Description and Objectives

FIN 361 covers the theory and methods of managerial finance. Lectures and reading will provide an introduction to net present value techniques, valuation of fixed income and equity securities, efficient market theory, portfolio management, capital asset pricing model (CAPM) and its application, capital structure, capital budgeting using weighted-average cost of capital and adjusted present value methods, and derivatives.

By the end of this course, you will develop an advanced perspective on how firms make investment, financing, and management decisions. You will understand the fundamentals of stocks and bonds valuation, based on important principles such as the time value of money, the Law of One Price, optimal portfolio choice theory, the principle of diversification. You will also be able to evaluate investment projects and corporate strategies, which is the basic skill for anyone working as an investment banking analyst.

The Undergraduate Program of the W. P. Carey School of Business has established the following learning goals for its graduates. Items in bold have significant coverage in this course.

- **Critical Thinking**
- Communication
- **Discipline Specific Knowledge**
- Ethical Awareness and Reasoning
- Global Awareness

Course Materials

Textbook

Brealey, R., S. Myers and F. Allen, *Principles of Corporate Finance*, 12th edition, McGraw-Hill/Irwin. Older or international editions (in English) of the textbook can be used, but you will need to figure out the relevant chapters to read.

Lecture Notes

Lecture slides will be posted on Blackboard. The slides are not a complete record of what we will discuss in class; they serve mainly as an outline. I make them available so that you can concentrate on listening, thinking, and asking questions during class. Paper copies of the lecture notes will not be made available in class; however, I encourage you to print them in advance.

Course Blackboard

You will find lecture slides, problem sets, solutions, practice problem sets, links to the articles needed for group assignments, and supplementary readings on the course web page on the Blackboard system. All course announcements will be posted on Blackboard: please make sure to check the Blackboard regularly. Occasionally, I will also send emails to the entire class regarding logistical matters, such as information about when an assignment is due, a change of arrangement, or to point out news relevant to the course. Please check your email before coming to class.

Communicating with Me

The best way to get in touch with me is by email: Jessie.Jiaxu.Wang@asu.edu. You are welcome to come to my office hours.

Teaching Assistant

The teaching assistant for this course is Dongyue Wang and Michael Swenson. The TAs will hold weekly office hours to answer questions and discuss class materials. They will also be available to answer questions via Email.

Dongyue Wang, dwang99@asu.edu, office hours: Monday 9:30 - 11:30, BAC 554

Michael Swenson, miswenson41@gmail.com, Tuesday 10 - 12, BAC 554

Grading Policy

Your grade is the highest among the following options (A), (B), and (C). Grades may be assigned on the usual scale of $90 \sim 100 = A$, $80 \sim 89 = B$, $70 \sim 79 = C$, $60 \sim 69 = D$, less than 60 = E. I reserve the right to curve the grades if necessary.

| | (A) | (B) | (C) |
|-------------------------------------|-----|-----|-----|
| Individual Problem Sets (3) | 15% | 15% | 15% |
| Class Participation and Quizzes (x) | 5% | 5% | 5% |
| Group Assignments (2) | 20% | 15% | 10% |
| Midterms (2) | 30% | 20% | 10% |
| Final Exam | 30% | 45% | 60% |

Individual Problem Sets

The problem sets are designed to help you practice applying the concepts covered in class in the form in which you will encounter in the exams. Part of the solutions will be posted on Blackboard after the due date; we will discuss the rest in review classes prior to the exams.

Problem sets can be discussed among students but have to be written and submitted individually. You should (1) submit a hard copy (no electronic submissions); (2) all pages should be **stapled** together; (3) write your full name in the upper right corner; (4) submit at the beginning of class on the due date. **Late submissions will not be accepted**, unless you are sick and have a doctor's note in writing. Under any circumstances, assignments received after the solutions are posted will receive zero points.

If you believe your problem set has been incorrectly graded, please take it to me, and provide a written explanation of what you think is wrong, within one week of it being returned.

Class Participation and Quizzes

Attending lectures, taking notes, and asking questions is an excellent way to learn the concepts and principles presented in this course. There will be x quizzes in total. The purpose of the quizzes is to check your understanding of the material. If you do the practice problems, the quizzes should be straightforward. Class participation serve as a vehicle for determining the grade of a student whose average falls near a boundary of a grade cutoff.

Group Assignments

Students are allowed to do the two assignments in groups of up to 2-3 students. Each group should submit a single hard copy of their work at the beginning of class with the names of all contributing members listed. Groups can change from assignment to assignment. I will not be involved in any group assigning issues. **Late assignments will not be accepted.**

Exams

There will be two midterm exams and one final exam. Midterm I and II are scheduled in class. The final exam will be held during the University's testing period; it is a comprehensive exam that will cover all the materials in the course. **No make-up exams will be given.** All exams are closed book and closed notes. You are allowed to bring a two-sided A4 sheet containing formulas or other notes for your exclusive use. You will need a calculator that can compute natural logarithms and raise numbers to arbitrary powers. Laptops, tablets, smart

phones, etc. are not permitted. The exam problems in general will follow the same format as the practice problems and problem sets. The exams will be problem-oriented, with some short essay questions asking for analysis of policy issues or interpretation of empirical evidence.

Course Policies

Academic Integrity

Expectations for this course are built on a shared commitment to the principles expressed in the W. P. Carey School of Business Undergraduate Student Honor Code, available at <https://my.wpcarey.asu.edu/academic-integrity/upload/Undergraduate-Honor-Code.pdf>.

The W. P. Carey School takes academic integrity very seriously. Therefore, unless otherwise specified, it is imperative that you do your own work. Any suspected violations of academic integrity will be taken seriously and result in sanctions ranging from a minimum of zero on the assignment to removal from the W. P. Carey School of Business.

Threatening Behavior

The university takes threatening behavior very seriously, and these situations will be handled in accordance with the Student Services Manual (SSM 104-02).

Religious Accommodations

Accommodations will be made for students' observation of religious holidays. The University publishes a calendar of religious holidays, where two asterisks denote an observance for which work is not allowed. For these holidays, students will not be penalized for missing class or assignment. Any such accommodation should be requested in writing one week in advance.

University-sanctioned Activities

Accommodations will be made for students who miss class related to university-sanctioned activities according to ACD 304-02. Any such accommodation should be requested in writing as soon as possible (and at least one week in advance).

Students with Disabilities

Accommodations will be made for students with disabilities in line with the recommendations and policies of the Disability Resource Center (DRC). If you need an accommodation for a disability, you must register with the DRC.

Copyright

Course content, including lectures, are copyrighted material and students may not sell notes taken during this course (see ACD 304-06). Unless permitted, recording lectures is prohibited.

Course Outline: afternoon class

I reserve the right to alter the course schedule details as the course proceeds.

| Week | Lecture | Date | Topic | BMA Ch | Due |
|------|------------|----------|--|-----------|-----------------|
| 1 | Lecture 1 | 08/18 Th | Finance and Corporations: Overview | Ch 1,15 | |
| 2 | Lecture 2 | 08/23 T | Net Present Value 1 | Ch 2 | |
| | Lecture 3 | 08/25 Th | Net Present Value 2 | Ch 2 | |
| 3 | Lecture 4 | 08/30 T | Net Present Value 3 | Ch 2 | |
| | Lecture 5 | 09/01 Th | Fixed Income Valuation 1 | Ch 3 | |
| 4 | Lecture 6 | 09/06 T | Fixed Income Valuation 2 | Ch 3, 14 | |
| | | 09/08 Th | canceled | | |
| 5 | Lecture 7 | 09/13 T | Equity Valuation 1 | Ch 4 | PS1 |
| | Lecture 8 | 09/15 Th | Equity Valuation 2 + review | Ch 4, 14 | |
| 6 | Lecture 9 | 09/20 T | Midterm 1 | | Mid 1 |
| | Lecture 10 | 09/22 Th | Portfolio Choice and Diversification 1 | Ch 8 | |
| 7 | Lecture 11 | 09/27 T | Portfolio Choice and Diversification 2 | Ch 7, 8 | |
| | Lecture 12 | 09/29 Th | Efficient Market Hypothesis | Ch 13 | |
| 8 | Lecture 13 | 10/04 T | Discussion on Case 1 | | Case 1 |
| | Lecture 14 | 10/06 Th | CAPM 1 | Ch 8,9 | |
| 9 | | 10/11 T | fall break | | |
| | Lecture 15 | 10/13 Th | CAPM 2 | Ch 8,9 | |
| 10 | Lecture 16 | 10/18 T | Capital Structure and WACC 1 | Ch 17 18 | |
| | Lecture 17 | 10/20 Th | Capital Structure and WACC 2 | Ch 17 18 | |
| 11 | Lecture 18 | 10/25 T | Review | | PS2 |
| | Lecture 19 | 10/27 Th | Capital Budgeting 1 | Ch 5,6 | Practice Prob 5 |
| 12 | Lecture 20 | 11/01 T | Midterm 2 | | Mid 2 |
| | Lecture 21 | 11/03 Th | Capital Budgeting 2 | Ch 5,6 | |
| 13 | Lecture 22 | 11/08 T | Capital Budgeting 3 | Ch 5,6 | |
| | Lecture 23 | 11/10 Th | Dividend Policy | Ch 16 | |
| 14 | Lecture 24 | 11/15 T | Discussion on Case 2 | | Case 2 |
| | Lecture 25 | 11/17 Th | Options 1 | Ch 20, 21 | |
| 15 | Lecture 26 | 11/22 T | Options 2 | Ch 20, 21 | |
| | | 11/24 Th | Thanksgiving break | | |
| 16 | Lecture 27 | 11/29 T | Final Review Session 1 | | PS3, PPS6 |
| | Lecture 28 | 12/01 Th | Final Review Session 2 | | |

Final exam arrangement, Location: BAC 323

Section: 87932 (1:30pm), 12:10 - 2:00 PM, Thursday, Dec-08

Section: 73038 (3:00pm), 2:30 - 4:20 PM, Tuesday, Dec-06

Course Outline: evening class

I reserve the right to alter the course schedule details as the course proceeds.

| Week | Lecture | Date | Topic | BMA Ch | Due |
|------|----------------|---------|---|---------------------|------------------------|
| 1 | Lecture 1, 2 | 08/23 T | Finance and Corporations: Overview Net Present Value 1 | Ch 1,15 Ch 2 | |
| 2 | Lecture 3, 4 | 08/30 T | Net Present Value 2 Fixed Income Valuation 1 | Ch 2 Ch 3, 14 | |
| 3 | Lecture 5, 6 | 09/06 T | Fixed Income Valuation 2 | Ch 3, 14 | |
| 4 | Lecture 7, 8 | 09/13 T | Equity Valuation Equity Valuation 2 + review | Ch 4, 14 | PS1 |
| 5 | Lecture 9, 10 | 09/20 T | Midterm 1 Portfolio Choice and Diversification 1 | Ch 8 | Mid 1 |
| 6 | Lecture 11, 12 | 09/27 T | Portfolio Choice and Diversification 2 Efficient Market Hypothesis | Ch 7, 8 Ch 13 | |
| 7 | Lecture 13, 14 | 10/04 T | Discussion on Case 1 CAPM 1 | Ch 8, 9 | Case 1 |
| 8 | | 10/11 T | fall break | | |
| 9 | Lecture 15, 16 | 10/18 T | CAPM 2 Capital Structure and WACC 1 | Ch 8, 9 Ch 17 18 | |
| 10 | Lecture 17, 18 | 10/25 T | Capital Structure and WACC 2 Review | Ch 17 18 | PS2 Practice Prob 5 |
| 11 | Lecture 19, 20 | 11/01 T | Midterm 2 Capital Budgeting 1 | Ch 5,6 | Mid 2 |
| 12 | Lecture 21, 22 | 11/08 T | Capital Budgeting 2 | Ch 5,6 | |
| 13 | Lecture 23, 24 | 11/15 T | Dividend Policy Discussion on Case 2 | Ch 16 | Case 2 |
| 14 | Lecture 25, 26 | 11/22 T | Options | Ch 20, 21 | |
| 15 | Lecture 27, 28 | 11/29 T | Final Review Session | | PS3, PPS6 |

11/02: Course Withdrawal Deadline

Final exam arrangement, Location: BAC 313

Section: 71113, 6:00PM-7:50PM, Tuesday, Dec-06