

Financial Management

FINA 2201

Fall 2022

Professor Vinnie Muscolino

Email: v.muscolino@northeastern.edu

Mobile: 617-840-3758

Fax: 781-394-6104

Office: 152D Dodge Hall

Office Hours: After class, virtual or drop by, or Tuesday 1:30 - 2:30. Feel free to call my mobile anytime.

Course Summary:

This course will familiarize students with financial management. It is designed to develop the financial skills and logical thought processes necessary to understand and discuss financial policy decisions in a global economy. Specific objectives include: developing an understanding of the time value of money; using financial statements in decision making; and understanding the nature of financial markets, the cost of capital, valuation of stocks, valuation of bonds, management of short-term assets, short-term and long-term financing, capital markets, and multinational financial management. The course addresses the impact of legal, social, technological, and ethical considerations on efficient economic outcomes. The course requires a financial calculator and provides an opportunity to develop computer spreadsheet skills. We will bridge an understanding of how financial theory and practice relate.

Objectives:

1. Analyze the financial performance of a company.
2. Develop financial forecasts and assess requirements for analysis and achievement.
3. Calculate time value of money and apply concepts.
4. Interpret the impact of risk and return relationships in financial decision-making.
5. Calculate the cost of capital using the Capital Asset Pricing Model and other methodologies.
6. Analyze Operating and Free Cash Flows and Capital Spending strategies.
7. Apply discounted cash flow methodology to make capital budgeting decisions and to value financial assets such as stocks and bonds.
8. Describe how managers determine short-term and long-term financing needs of a company.
9. Describe the difference between debt and equity in a company's capital structure.
10. Use spreadsheets to conduct financial analysis and help solve business problems.
11. Look at current events and consider the effects on financial management.

Required:

- a. Fundamentals of Corporate Finance, Stephen A. Ross, Randolph W. Westerfield and Bradford D. Jordan 13th Edition, McGraw-Hill/Irwin with Connect. Connect includes E-Text. Access Connect from Canvas.
- b. Required: Wall Street Journal. Subscription site: WSJ.com/studentoffer.
- c. Required: Barron's. Subscription site: Barrons.com/studentoffer.
- d. Regular daily reading of The Wall Street Journal. Regular reading of Barron's.
- e. Stock-Trak portfolio simulation subscription. 1 account per team.
- f. CNBC App.

Useful NU Library Resources:

- a. Northeastern University LibGuides - Business Research at Northeastern University Libraries – Home <http://subjectguides.lib.neu.edu/business>
- b. S&P Industry Surveys <http://subjectguides.lib.neu.edu/business>
- c. ValuLine Investment Survey <http://subjectguides.lib.neu.edu/business>
- d. D'Amore-McKim Bloomberg Terminals <https://damore-mckim.northeastern.edu/bloomberg/>

Grading:	Midterm	20%
	Final Exam	20%
	Assignments	8%
	McGraw-Hill Connect Activities	10%
	Assessment Exam	2%
	Class Engagement and Participation	20%
	Group Project:	
	Group In-class Presentation	10%
	Group Final Report	10%

Grade	% Value	Verbal Anchor
A 4.00	95 – 100	Outstanding Achievement
A- 3.67	90 - 94.99	
B+ 3.33	87 - 89.99	
B 3.00	84 - 86.99	Good Achievement
B- 2.67	80 - 83.99	
C+ 2.33	77 - 79.99	
C 2.00	74 - 76.99	Satisfactory Achievement
C- 1.67	70 - 73.99	
D+ 1.33	67 - 69.99	
D 1.00	64 - 66.99	Poor Achievement

Additional Information:

OUTSIDE CLASS PREPARATION: It is expected that students will spend up to eight hours per week on outside class preparation activities, which may include reading, independent research and team meetings. Student groups must commit to a regular minimum one hour weekly meeting and keep a record of their activities.

Late Assignments: Late assignments receive half credit.

Academic Honesty and Integrity Statement: Northeastern University places utmost value on academic integrity. All students are expected to understand the University's expectations for what constitutes, as well as what violates, academic integrity. <http://www.northeastern.edu/osccr/academicintegrity/>
The following policy was designed and approved by both the Student Government Association and the Faculty Senate and can be found at: <https://www.northeastern.edu/registrar/courses/cat1213-univ-proc.pdf>
Essential to the mission of Northeastern University is the commitment to the principles of intellectual integrity.

Academic integrity is important for two reasons. First, independent and original scholarship ensures that students derive the most from the educational experience and the pursuit of knowledge. Second, academic dishonesty violates the most fundamental values of an intellectual community and depreciates the achievements of the entire university.

Accordingly, Northeastern University views academic dishonesty as one of the most serious offenses that a student can commit while in college. Academic dishonesty includes cheating, fabrication, plagiarism, unauthorized collaboration, participation in academically dishonest activities, and facilitating academic dishonesty.

All members of the Northeastern University community—students, faculty, and staff—share the responsibility to bring forward known acts of apparent academic dishonesty. Any member of the academic

community who witnesses an act of academic dishonesty should report it to the appropriate faculty member or to the director of the Office of Student Conduct and Conflict Resolution. The charge will be investigated and if sufficient evidence is presented, the case will be referred to the Northeastern University Student Judicial Hearing Board.

Let's learn and have fun doing it !!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!

Week 1 **09/07**

Part A

Introduction:

What do you want to get out of this course - student participation?

What I want you to get out of this class - a real time immersion in the concepts of financial management.

McGraw-Hill Connect Activities: Complete All the required Connect homework assignments that are in Canvas as we cover the weekly materials. All chapters that are on the Syllabus must be completed. Connect Chapter Homework Assignments must be completed within 7 days after the Chapter Reading is assigned on the Syllabus to receive full credit. You will receive half credit after 7 days. Connect identifies your assignment completion dates. The end of term due date shown in Connect is a default date that is set to allow half credit for late assignments. DO NOT GO BY THIS END of SEMESTER DATE if you want full credit for Connect assignments.

Please access McGraw-Hill Connect Activities through Canvas. This will ensure that your grades are up to date in Canvas.

Assignment: Complete and submit the Information Form.

Assignment: Sign up for the Wall Street Journal, Barron's, and the CNBC App. E-mail me confirmation that you have signed up.

Assignment: Form groups of 2-5 students. Review the Group Project Assignment.

Introduction to Corporate Finance

Reading Ch 1

Key slides presented in class will be available in Canvas.

Week 2 **09/12**

Part A

Introduction to Bloomberg

Financial Statements, Taxes, and Cash Flow

Reading Ch 2

Part B

Working with Financial Statements

Reading Ch 3

Week 3
09/19

Part A

Independent Team Meetings

Meet with your teammates to work on the Group Project.

Part B

Bloomberg Lab

Week 4
09/26

Part A

Independent Team Meetings

Meet with your teammates to work on the Group Project.

Part B

Group Presentations

Week 5
10/03

Part A

Group Presentations

Part B

Introduction to Valuation: The Time Value of Money

Reading Ch 5

Week 6
10/10

Part A

Discounted Cash Flow Valuation

Reading Ch 6

Part B

Interest Rates and Bond Valuation

Reading: Ch 7

Week 7
10/17

Part A

Stock Valuation

Reading: Ch 8

Part B

Stock Valuation

Reading: Ch 8

Week 8
10/24

Part A
Review

Part B
Midterm

Week 9
10/31

Part A
Net Present Value and Other Investment Criteria
Reading: Ch 9

Part B
Making Capital Investment Decisions
Reading: Ch 10

Week 10
11/07

Part A
Guest Speaker

Risk and Return

Some Lessons from Capital Market History
Reading: Ch 12

Return, Risk, and the Security Market Line
Reading Ch 13

Cost of Capital
Reading: Ch 14

Part B
Raising Capital
Reading: Ch 15

Behavioral Finance: Implications for Financial Management
Reading: Ch 22

Week 11
11/14

Part A
Financial Modeling

Part B
Financial Modeling

Week 12
11/21

Part A
Personal Financial Planning

Week 13
11/28

Part A
 Group Presentations
 Submit presentation slides

Part B
 Group Presentations
 Submit presentation slides

Week 14
12/05

Part A
 Group Presentations
 Submit presentation slides

Part B
 Review
 TRACE

Week 15
12/09 - 12/16 Final Exam

Group Project Assignment

The Full Project has 2 Oral Parts and 1 Written Part

I. GETTING STARTED

Form groups of 2-5 members.

The purpose of this project is to provide you with practical experience constructing a portfolio that focuses on a specific investment style. Morningstar evaluates stock mutual funds along two dimensions:

			Large
			Mid
			Small
Value	Blend	Growth	

This results in 9 possible categories for a portfolio's classification. Choose one of these nine style boxes. Your objective is to create a portfolio that fits in that box. Your goal is to outperform an appropriate benchmark. In addition, your goal is superior performance relative to your style peers.

Assume that you have \$10,000,000. You will use this to form a hypothetical portfolio by investing it in about 30 or more stocks. To determine how much you have invested in any particular stock, multiply the stock price by the number of shares you buy.

Deliverables:

- Week 1-2:** Select a style, a peer group and a benchmark. Complete the Portfolio Project Group Stock Selections Excel spreadsheet posted in Canvas. This includes the Team Name you selected for your portfolio, group member names, each stock symbol, each stock's beta, number of shares you purchased for each stock and total dollars invested. Again, include the symbol, closing price, beta, your total investment per stock, the amount held in cash and your total portfolio investment. To get stock price information, go to www.yahoo.com and click on "Finance". Enter the ticker symbol of your stock and click on historical prices. Use the column that contains closing prices. You can use Bloomberg as well. **You must then setup your portfolio in Stock-Trak and purchase all your initial stocks.**
- Week 2-4:** Present your portfolio. What is your style? Who are your style peers? What is the benchmark? What is the performance of style peers over the last year? What attracted you to your selected stocks? What is your portfolio objective? What is your investment strategy, policy statement and investment process? Who is your portfolio suitable for? What is your risk tolerance? What ratios support your stock selections? **Prepare a PowerPoint presentation.**

Follow your portfolio of stocks throughout the term.

Calculate the weekly returns for your portfolio and for the S&P 500. Track and RECORD the weekly returns for both in a spreadsheet. Be prepared to talk about your portfolio and stocks in class (included in class participation grade).

Keep up with the performance of your portfolio and major news about your stocks. Also, record the prices in a spreadsheet yourself - this will help later. Bloomberg also has portfolio functions. In class, we will periodically talk about how the portfolios are performing, so check your portfolio before you come to class. I will expect you to talk about your portfolio and I may call on you. This should be fun - and these are easy participation points!

II. LATTER PART OF THE TERM

Again, The Full Project has 2 Oral Parts and 1 Written Part

In the latter part of the semester, make a final formal presentation to the class reviewing your portfolio. Your final formal oral and written project should include (but is not limited to):

Final Oral Presentation

An oral presentation that expands on and reviews your portfolio, its characteristics, a portfolio performance evaluation, and an outlook. The final presentation should build upon and expand on your first presentation. It will address the Final Written Report items listed below as well.

Final Written Report

For the portfolio review, assume that you are preparing a relatively short report for your investors, potential investors, and for the investment committee. Here are some guidelines for your report. You can and should expand on these, and provide other information that you feel is appropriate.

1. Introduction - State the portfolio objective, investment strategy, policy statement and investment process.
2. Suitability - Discuss in detail who the portfolio is suitable for and why.
3. The investment process should include the investment universe (U.S. only, global, large cap, small cap), asset allocation, portfolio construction (sector weights), security selection process (research approach, financial analysis approach), risk control, and sell discipline (i.e., due to intrinsic value price target attainment, management changes, change in fundamental outlook, overvalued, etc).
4. Comment on the individual and portfolio returns and on any information/events (market-wide or firm-specific) that may have contributed to the performance of your portfolio sectors and stocks. Provide insight into the performance versus the benchmark and peer group. Provide performance attribution.
5. From your calculations, if you held the S&P 500 instead of your portfolio, how much money would you have ended up with? Would you have been better or worse off to hold the index? Did you beat the secondary benchmark? Analyze the reasons for any differences versus the benchmarks.
6. Based on your calculations for standard deviation and beta, how risky was your portfolio compared to the index? Again, analyze the causes of the differences.
7. What is your top conviction stock? Present a comprehensive fundamental analysis of your top pick that demonstrates your portfolio management company research process, valuation details, and your critical thinking.
8. Finally, what are your plans going forward? That is, if this class continued and you had the chance to alter your portfolio holdings now, would you choose to sell any of your stocks or would you want to keep holding them? Explain why.
9. The analysis will be a minimum **3-5 page, double spaced, written** narrative plus exhibits. You should also cite all sources of input.
10. Submit your final report and slides.
11. You must submit your files electronically. Include a complete .PDF report as one of your files. Also, submit your Word document and Excel spreadsheet.