San José State University
School: Lucas Graduate School of Business
Department: Accounting and Finance
Course Number: BUS 270
Title: Financial Management
Section: 1
Semester: Spring
Year: 2016

Instructor: Dr. Marco Pagani
Office Location: BT 859
Office Phone: (408) 924-3477
Email: marco.pagani@sjsu.edu
Office Hours: by appointment
Class Day/Time: Wednesdays: 3/23, 4/6, 4/13, 4/20, 4/27, 5/4, 5/11 and 5/18 - 6:00-10:00PM
Friday 3/18 6:00PM-10:00PM
Saturdays: 3/26 – 9:00AM-1:00PM; 5/21 – 2:00PM – 6:00PM
Classroom: Lucas Business Complex
Prerequisites: BUS 220

Canvas
I use Canvas to post relevant material for the course (slides, solutions to questions and problems from the textbook, handouts, etc…) and communicate with students.

Course Description
The course provides students with the analytical techniques underpinning the two most important decisions taken by financial managers in order to maximize the value of a business entity: the investment decision and the financing decision. The investment decision includes cash flow estimation, asset pricing and risk analysis in capital budgeting. The financing decision focuses on optimal capital structure and the cost of capital.
**Course Content Learning Outcomes**

Upon successful completion of this course, students will be able to:

CLO1 – Demonstrate understanding of time value of money concepts by computing present values and future values of different series of cash flows. (MBAPG #1)

CLO2 – Understand the return/risk measures of financial assets and compute the required returns of securities using the Asset Pricing Models (MBAPG #1 and #2)

CLO3 – Compute the price of fixed-income securities and measure price and interest risks. (MBAPG #1 and #2)

CLO4 – Compute the price of equity securities and understand how to perform corporate valuation. (MSAPG #1 and #2)

CLO5 – Understand the structure of financial statements and how to compute the components of the firm’s cash flows. (MBAPG #1)

CLO6 – Understand financial planning, construct Pro-Forma financial statements and forecast additional financial needs. (MBAPG #1)

CLO7 – Understand how to determine the cost of capital sources and the WACC. (MSAPG #1 and #2)

CLO8 – Understand how to perform capital budgeting and interpret the outcomes of the following methodologies: Net Present Value, Internal Rate of Return, Profitability Index, Payback Period and Discounted Payback Period. (MBAPG #1 and #2)

CLO9 – Understand how to compute the firm’s cash flows for capital budgeting purposes. (MBAPG #1)

CLO10 – Understand how to measure the business and operating risk of a firm. (MBAPG #1)

CLO11 – Understand the determinants of capital structure policies. Understand the impact on a firm’s capital structure of corporate taxes, personal taxes, bankruptcy costs, agency costs, asymmetry of information and capital constraints. Understand the trade-off and pecking order theories. (MBAPG #1)

**Required Texts/Readings**


See more at: [http://www.cengagebrain.com/shop/search/9781285850030](http://www.cengagebrain.com/shop/search/9781285850030)
2) Harvard Business Publishing Coursepack (case study):
https://cb.hbsp.harvard.edu/cbmp/access/47614363

a. “Do You Know Your Cost of Capital?” Michael T. Jacobs; Anil Shivdasani
   Product #: R1207L-PDF-ENG; Price $3.95.
   This article is used for class discussion during the lecture about Cost of Capital-WACC
   (Chapter 11).

b. “Hola-Kola The Capital Budgeting Decision”, Lena Booth;
   Product #: TB0343-PDF-ENG; Price: $3.95
   This case is used for class discussion during the lecture about Capital Budgeting (Chapter
   13).

Other Readings

Class handouts, to be distributed via CANVAS.

Other equipment / material requirements

It is necessary that you have a financial calculator to use throughout the course. Bring your
calculator to each class! Many textbook problems require complex arithmetic operations, and a
financial calculator is necessary to solve these problems efficiently. This is especially true for
exams! Students can elect any financial calculator for the class; nevertheless, I personally
recommend you use the Texas Instrument BA II Plus

Course Requirements and Assignments

SJSU classes are designed such that in order to be successful, it is expected that students will spend a
minimum of forty-five hours for each unit of credit (normally three hours per unit per week),
including preparing for class, participating in course activities, completing assignments, and so on.
More details about student workload can be found in University Policy S12-3 at

The scheduled course contact hours are in compliance with the required course credit hours
(http://info.sjsu.edu/web-dbgen/narr/catalog/rec-13692.14082.html) and the required course
culminating experience (http://info.sjsu.edu/web-dbgen/narr/catalog/rec-13692.14089.14090.html).

There will be two exams given during the semester: one Mid-Term exam and one Final exam. In
addition to these written exams, there will be team assignments. The exams (Mid-Term and Final) are
based on assigned readings, lectures, cases and homework-problems as indicated in the sessions. A
Financial Calculator is necessary during examinations.

Each team must be composed of 3 students (NO exceptions unless there is an insufficient number of
students, in which case at most two teams will have 2 students). The teams must be formed and a
team’s name must be chosen before the end of the third class (Wednesday, March 23). The
assignments will involve mostly empirical work and case study. Each team will be required to submit
the assignments online according to the procedure specified by the instructor on the due date listed in
the syllabus. All the assignments must be typed.

Mid-Term Exam: In-class individual examination (CLO1-CLO6)
Final Exam: In-class individual examination (CLO1, CLO2, and CLO7-CLO11)
Team Assignments: Take-home Group Assignments
• Buy Vs. Rent (CLO1, CLO2, and CLO3)
• Asset pricing Models: CAPM and Fama-French Three-Factor Models (CLO2 and CLO7)
• Pro-Forma Financial Statements (CLO 5 and CLO6)
• Corporate Valuation (CLO1, CLO2 CLO4, CLO5, CLO7, CLO9, and CLO11)

NOTE that University policy F69-24 at http://www.sjsu.edu/senate/docs/F69-24.pdf states that “Students should attend all meetings of their classes, not only because they are responsible for material discussed therein, but because active participation is frequently essential to insure maximum benefit for all members of the class. Attendance per se shall not be used as a criterion for grading.”

Grading Policy
The course grade weights are as following:

- Mid-Term Exam 30%
- Final Exam 30%
- Team Assignments 40%
  - Buy vs. Rent 10%
  - Asset Pricing Models 5%
  - Pro-Forma Financial Statements 10%
  - Corporate Valuation 15%

There will be no possible make-up exam for the Mid-Term Exam. If you miss the scheduled Mid-Term exam, you must notify the instructor as soon as possible, and provide a documented reason for your absence. If the instructor deems that your reason is sufficient to warrant an absence from the exam, the weight of the missed Mid-Term exam will be added to the Final exam (thus, your final exam score will count toward 70% of your total course grade average). If the instructor does not consider your excuse sufficient to warrant an absence from the exam, you will be assigned a grade of zero if you fail to take the exam.

Your final grade for the course is based on the distribution below and follows a standard 100 percent scale. A+ (98-100), A (92-97), A- (89-91), B+ (86-88), B (82-85), B- (79-81), C+ (76-78), C (69-75), D (60-68), and F (below 60).

Bloomberg professional Service and Extra-Credit Opportunities:
The Lucas College and Graduate School of Business is currently subscribing to the Bloomberg Professional Service, aka Bloomberg Terminals. The Bloomberg Terminal is a online platform provided by Bloomberg L.P. that enables professionals in finance and other industries to access the Bloomberg Professional Service through which users can monitor and analyze real-time financial market data. The system also provides news, price quotes, and messaging across its proprietary secure network. Most large financial firms have subscriptions to the Bloomberg Professional service.
Lucas College students are be able to access the Bloomberg Professional Service either (1) through
the terminals in the College Open Computer Lab in BBC 301 or (2) through the terminals in the
Bloomberg Lab in BBC 303.

**Open Computer Lab - BBC 301** (2 terminals in the front row)
Mon through Thur.: 9:00AM - 6:30PM
Fri.: 9:00AM - 1:00PM
Sat. & Sun: Closed

**Bloomberg Lab - BBC 303** (12 terminals)
2/1 – 5/20
MW 10:30AM - 2:30PM
TR 5:00PM - 7:30PM
F 12:00PM - 3:00PM

**Bloomberg Market Concepts (BMC)**
BMC is an 8/10-hour, self-paced e-learning course that provides an interactive introduction to the
financial markets. BMC Program (4 modules woven together from proprietary Bloomberg data,
news, analytics and television)
  • Economics
  • Currencies
  • Fixed Income
  • Equities

BMC covers the essentials of the financial markets through these modules and integrates more than
70 Bloomberg Terminal functions.

The course is available through the Bloomberg Professional Service at BMC<GO> (free of change
for students using the Bloomberg terminals) or through the Bloomberg website ($149 registering
with a .edu email address or $249 for any other user).

A unique certificate is issued after completing all four modules in the BMC Program

Why should students take BMC?
  • Learn the language of finance
  • Supplement university learning with practical knowledge of the markets
  • Familiarize yourself with the Bloomberg Professional Service
  • Discover the inner workings of the markets
  • Learn what moves markets and drives valuations
  • Familiarize yourself with key benchmarks that professionals monitor
  • Get the BMC certification on the resume

Certificates.

**Bonus Points:**

**Bloomberg Market Concepts (BMC) Certificate:** In order to receive bonus points for the BMC
Certificate each student must (1) enter the group code **MPBUS270A32** during the BMC login; and (2)
submit a digital copy of the BMC certificate. The BMC certificate is granted only after all four BMC
modules are completed. The score of the BMC certificate is multiplied by 5% and the resulting points
are added to the score of the final exam. Hence, if you scored 90% in the BMC, you are awarded 4.5

BUS 270 Financial Management – Spring 2016
(90x5% = 4.5) points, which are added to the score of the final Exam. For instance, if you scored 85% in the Final Exam, a BMC certificate performance of 90% yields a final recorded Final exam score of 89.5% (85+4.5).

The BMC certificate must be completed individually. It is forbidden to share information related to the content of the tests. Additional information regarding the content of BMC and access to the Bloomberg Professional Service is available on Canvas as a separate document.

Aside from the BMC certificates, no extra-credit work is offered in any forms in this class.

Note that “All students have the right, within a reasonable time, to know their academic scores, to review their grade-dependent work, and to be provided with explanations for the determination of their course grades.” See University Policy F13-1 at http://www.sjsu.edu/senate/docs/F13-1.pdf for more details.

Classroom Protocol

Attendance is not mandatory. Nevertheless, each student is expected to attend all scheduled class meetings for the entire duration of the class meeting. An attendance sign-up sheet may be circulated each class period but not for grade. A consistent attendance is essential for your performance in this course. Many students find finance concepts difficult to grasp. Missing classes will only make the process of absorbing this material more difficult. I also present material in class that may not be found in the text. If you find yourself falling behind or you are having problems with the material, I encourage you to come to see me during my office hours. In addition, remember that your classmates can be a very valuable resource. Ask them questions, share your thoughts and doubts, study with them, and collaborate with them when solving the problems at the end of the chapters in the textbook.

Cell phone use: Students will turn their cell phones off or put them on vibrate mode while in class. They will not answer their phones in class. Students whose phones disrupt the course and do not stop when requested by the instructor will be referred to the Judicial Affairs Officer of the University.

Computer use: in the classroom, faculty members allow students to use computers only for class-related activities. These include activities such as taking notes on the lecture underway, following the lecture on Web-based PowerPoint slides that the instructor has posted, and finding Web sites to which the instructor directs students at the time of the lecture. Students who use their computers for other activities or who abuse the equipment in any way, at a minimum, will be asked to leave the class and, at a maximum, will be referred to the Judicial Affairs Officer of the University for disrupting the course. (Such referral can lead to suspension from the University.) Students are urged to report to their instructors computer use that they regard as inappropriate (i.e., used for activities that are not class related).

University Policies

General Expectations, Rights and Responsibilities of the Student

As members of the academic community, students accept both the rights and responsibilities incumbent upon all members of the institution. Students are encouraged to familiarize themselves with SJSU’s policies and practices pertaining to the procedures to follow if and when questions or concerns about a class arises. See University Policy S90–5 at http://www.sjsu.edu/senate/docs/S90-5.pdf. More detailed information on a variety of related topics is available in the SJSU catalog, at http://info.sjsu.edu/web-dbgen/narr/catalog/rec-12234.12506.html. In general, it is recommended that students begin by seeking clarification or discussing concerns with their instructor. If such
conversation is not possible, or if it does not serve to address the issue, it is recommended that the student contact the Department Chair as a next step.

**Dropping and Adding**

Students are responsible for understanding the policies and procedures about add/drop, grade forgiveness, etc. Refer to the current semester’s [Catalog Policies](http://info.sjsu.edu/static/catalog/policies.html) section at http://www.sjsu.edu/provost/services/academic_calendars/. The [Late Drop Policy](http://www.sjsu.edu/aars/policies/latedrops/policy/) is available at http://www.sjsu.edu/aars/policies/latedrops/policy/. Students should be aware of the current deadlines and penalties for dropping classes.

Information about the latest changes and news is available at the [Advising Hub](http://www.sjsu.edu/advising/).

**Consent for Recording of Class and Public Sharing of Instructor Material**

[University Policy S12-7](http://www.sjsu.edu/senate/docs/S12-7.pdf), requires students to obtain instructor’s permission to record the course and the following items to be included in the syllabus:

- “Common courtesy and professional behavior dictate that you notify someone when you are recording him/her. You must obtain the written instructor’s permission to make audio or video recordings in this class. Such permission allows the recordings to be used for your private, study purposes only. The recordings are the intellectual property of the instructor; you have not been given any rights to reproduce or distribute the material.”
  - In classes where active participation of students or guests may be on the recording, written permission of those students or guests should be obtained as well.
- “Course material developed by the instructor is the intellectual property of the instructor and cannot be shared publicly without his/her approval. You may not publicly share or upload instructor generated material for this course such as exam questions, lecture notes, or homework solutions without instructor consent.”

**Academic integrity**

Your commitment, as a student, to learning is evidenced by your enrollment at San Jose State University. The [University Academic Integrity Policy S07-2](http://www.sjsu.edu/senate/docs/S07-2.pdf) requires you to be honest in all your academic course work. Faculty members are required to report all infractions to the office of Student Conduct and Ethical Development. The [Student Conduct and Ethical Development website](http://www.sjsu.edu/studentconduct/) is available at http://www.sjsu.edu/studentconduct/.

**Campus Policy in Compliance with the American Disabilities Act**

If you need course adaptations or accommodations because of a disability, or if you need to make special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. [Presidential Directive 97-03](http://www.sjsu.edu/president/docs/directives/PD_1997-03.pdf) requires that students with disabilities requesting accommodations must register with the [Accessible Education Center](http://www.sjsu.edu/aec) (AEC) at http://www.sjsu.edu/aec to establish a record of their disability.
Lucas College and Graduate School of Business Mission

We are the institution of opportunity in Silicon Valley, educating future leaders through experiential learning and character development in a global business community and by conducting research that contributes to business theory, practice and education.

MBA Program Goals:
(Not all program learning goals are covered in every course)

Goal One: Business Concepts
Develop a strategic level understanding of the key functions of business including marketing, accounting, finance, and organizational behavior.

Goal Two: Analysis and Decision Making
Understand decision making methods including decision trees, expected value, risk and uncertainty, and the value of information.

Goal Three: Cultural and Ethical Awareness
3a. Understand the major issues facing multinational corporations in the management of their international operations—particularly those of an intercultural nature.
3b. Explain the ethical, legal, and social consequences that ensue when ethics and the law are disregarded in favor of other objectives.

Goal Four: Leadership and Teams Skills
Comprehend the factors that contribute to effective leadership of teams and understanding of the skills and behaviors necessary to be an effective team member.

Goal Five: Global Change and Dynamics
5a. Demonstrate an ability to understand and adapt to global market changes
5b. Demonstrate an ability to integrate knowledge and develop innovative solutions to remain competitive given industry dynamics (strategic integration).

Goal Six: Communication Skills
6a. Demonstrate an ability to plan, prepare, organize, and present effective oral presentations.
6b. Demonstrate the principles and processes of effective written communications.
<table>
<thead>
<tr>
<th>Class Dates</th>
<th>BD Chapters and in-class Case Studies</th>
<th>Suggested Homework, Team Assignments &amp; Bloomberg Certificates Deadlines</th>
</tr>
</thead>
</table>
             28 – Time Value of Money (Web Chapter) | Questions: 1-4  
 Problems: 1-35 |
| 3/23        | 28 – Time Value of Money (Web Chapter)  
             2 – Risk and Return: Part I  
             3 – Risk and Return: Part II (section 3.5 only) | Problems: 1-35  
 Problems: 1-14  
 Problems: 5 and 6 |
| 3/26        | 4 – Bond Valuation  
             6 – Accounting for Financial Management (omit Section 6.9) | Problems: 1-24  
 Problems: 3-6; 10-12; 14-15 |
| 4/6         | 8 – Basic Stock Valuation | Problems: 1-20  
 Team Assignment #1 (Buy vs. Rent) due by 10:00AM |
| 4/13        | 9 – Corporate Valuation and Financial Planning  
 Speaker 8:00PM – 10:00PM: Andrew Walters, Chief Administrative Officer, San Jose Water Company | Problems: 1-10  
 Team Assignment #2 (Asset Pricing Models) due by 10:00AM |
| 4/20        | Mid-Term Exam | |
| 4/27        | 11 – Determining the Cost of Capital  
 *Case Study: Do You Know Your Cost of Capital?*  
 12 – Capital Budgeting: Decision Criteria | Problems: 1-18  
 Problems: 1-16; 21-23 |
| 5/4         | 12 – Capital Budgeting: Decision Criteria  
 *Case Study: Hola-Kola The Capital Budgeting Decision* | Problems: 1-16; 21-23  
 Problems: 1-6; 9-10; 11 and 13  
 Team Assignment #3 (Pro-Forma Financial Statements) due by 10:00AM |
| 5/11        | 15 – Capital Structure Decisions: Part I  
 16 – Capital Structure Decisions: Part II (omit Sections 16.1c, 16.1d, 16.5 and 16.6) | Problems: 1-11  
 Problems: 1-9 |
<p>| 5/15        | NO Class | Team Assignment #4 (Corporate Valuation) due by 10:00AM |</p>
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/18</td>
<td>Team presentation for Team Assignment #4</td>
<td>Bonus: BMC Certificate due by 10:00AM</td>
</tr>
<tr>
<td>5/21</td>
<td>Final Exam</td>
<td></td>
</tr>
</tbody>
</table>