
MBA 528 – Managerial Finance
Course Syllabus
Winter 2015

Course Information:

Instructor: Rob Schonlau, PhD
Class schedule: Monday and Wednesday 2:00 – 3:15 pm
Location: W208 TNRB

Instructor Information:

My office hours: Mon (9:30 – 11:00 am), Wed (3:30 – 4:45 pm), Fri (8:45-9:45am)
and by appointment
My contact info: Office: TNRB 682
Telephone: 801-422-5879
Email: robert.schonlau@byu.edu

Course Objectives:

This course is designed to strengthen and extend your understanding of the theory and application of financial principles related to managerial finance. The theory will be discussed during the lectures and via assigned readings. Applications of the theory will be provided via cases, examples discussed during lectures, and a series of homework assignments. Some of the material will review concepts covered in the MBA 520 class but will cover the material in more detail. Other parts of the course will cover important material not covered in the 520 class.

Required Material:

- *Fundamentals of Corporate Finance*, Ross Westerfield and Jordan 10th (*Alternate*) Edition
- MBA 528 case packet (BYU bookstore)

Suggestions for Success in MBA 528:

1. **Attend the lectures** on Monday and Wednesday. Use the lecture slides as an outline for your class notes. I will try to make the lecture slides available via Learning Suite prior to class.
2. **Read the assigned reading** from the textbook. You will find that your understanding of the topics covered during lecture will be enhanced if you both hear me talk about it and read the textbook's coverage of the topic. Some people learn better by hearing the material while others learn better by reading. Doing both will help you understand and retain the material. Keep current on the assigned reading. If you dedicate 20 minutes a day to the textbook reading you will easily stay current with the assigned reading. To ensure the workload is manageable, I do not assign large textbook readings on the days that you have a case.
3. **Be a contributing member of your group** when doing the cases and homework. I recommend that all group members actively discuss and help prepare the answers.

Note that my lecture slides are not intended to cover all the important information for the class. The slides are provided online to facilitate note-taking but I also expect you to read the textbook and to actively learn from the lecture discussion, the assigned reading, and the cases.

Many of the topics in the course build on previous topics so it is important you learn each topic before progressing to new ones. If you have questions, please come to my office during my office hours, or set up a time to meet with me.

My Office Hours and Schedule:

Financial theory is interesting and useful but it can be challenging. If you are having difficulties with the material after attending the lectures and reading the assigned readings, you are encouraged to come to my office hours. I have specific hours set aside each week to address student concerns. If you cannot come to my office hours you are welcome to email or call me and set up another time (preferably on a Monday or a Wednesday). These meetings will be more focused and helpful for you if you come well prepared to my office. I suggest when you come that you have a specific question, problem, and/or concept that you ask for help with. I enjoy working with students and encourage you to seek my help early if you need it.

As a general note about my schedule, I plan to focus on issues related to our class on Mondays and Wednesdays. This means that I generally have an open-door policy on these days (but coming to my office specifically during my office hours ensures that I will be in the office). I am happy to help you and talk with you on these days but I plan to focus on research on Tuesdays, Thursday, and Fridays (except for Friday early morning). I need to focus on research on these other days in order to satisfy BYU's publishing and research requirements for assistant professors. So please come to my office on Mondays or Wednesdays, if possible, instead of these other days.

Homework/Cases:

There will be a homework or case assignment associated with most classes. I know you are busy in the MBA program and my intent is to make all of these assignments as short and focused as possible to enable your learning but not to take excessive amounts of your time. I encourage you to work in groups on the homework assignments but each student needs to write up and turn in their own homework. On the homework, please show your work, not just the answers, for problems where math is required. If you get an answer wrong without showing work, it is impossible for me to determine if the mistake was a minor arithmetic mistake (such as a rounding error), or a more serious flaw in your logic.

The cases will be done in assigned groups. Only one copy of the case will be turned in per group. Be sure to bring extra copies of your case write-up to class on the day we discuss the case so that after you turn in one copy you can still respond to questions I ask about the case during the lecture. The cases are available in the BYU book store.

Hard copies of the cases are due at the beginning of class on the stated due dates. Cases turned in after the beginning of class may be docked points. Please do not email me soft copies unless specifically asked to do so.

Exams:

Please note the dates of the exams on the class schedule. Make up exams will be given only under very unusual and unavoidable circumstances. The exams are closed book and closed notes. The final exam will emphasize the material from the latter part of the course but will also have questions related to earlier material. Exam questions will cover concepts from the reading, lectures, homework, and cases.

Grading:

The final grade will be based on 2 midterm exams, a final exam, homework assignments, group cases, and your class participation. As part of the participation grade, I will solicit each person's confidential input as to how their fellow group members contributed to their group on the cases. Depending on how the semester unfolds, it may be necessary to change the total number of homework assignments. Regardless of the final number of homework assignments their overall weight in the final grade will remain as stated below. The lowest homework assignment will be dropped at the end of the semester. Final grades will be based on a curve that follows the guidance given in the MBA policy manual with approximately 15% of students receiving an A, 35% an A-, 35% a B+ and 15% receiving a B or lower.

Midterm Exams	20%	(10% each)
Final Exam	15%	
Homework	30%	(~14 homework assignments)
Cases	30%	(~7 cases)
Participation	5%	(Participation is based on both my assessment of your class participation as well as your group members' input regarding your contribution to your group)

Re-grades:

Occasionally I, or the grader, will make mistakes in grading. If you think there was a mistake in the grading then, within one calendar week following the return of the item (i.e. homework, exam, or case) submit the original item and a separate written explanation of the points of contention to me. If the re-grade request is made after one calendar week or without an accompanying written explanation, no re-grade will be given. All re-grade decisions are final. I will announce in class when assignments/cases/exams are ready to pick up. It is your responsibility to monitor these dates and submit re-grade requests within 1 week of the announced return dates.

Getting Back Graded Work:

All graded work will be filed under your section in my office.

Classroom Etiquette:

As your instructor I make a strong effort to make the class discussion valuable for your learning. In order to maximize the learning environment during class (and to help you do well on the participation portion of your grade) I ask that you follow the guidelines outlined below.

- Laptops: I encourage you to take notes during the lecture. Some people prefer to do this using their laptops. It is fine with me if you are using your laptops during class to take notes. However, it is not okay to be surfing the internet, checking email, or looking at other material on your laptops during class. Please do not use your laptop for any other purpose during class except to assist you in taking notes. Your participation grade depends on you being attentive during lecture.
- Phones: I ask that you turn off your phones and refrain from texting during class unless there is an emergency (i.e. family emergency, or you are expecting a critical call from a recruiter).
- Conversation: I encourage active participation during the lectures. To keep the discussion orderly, please raise your hand and wait to be called on before talking.

Disclaimer:

I reserve the right to make changes to the syllabus and the class during the quarter.

Honor Code:

In keeping with the principles of the BYU Honor Code, students are expected to be honest in all of their academic work. Academic honesty means, most fundamentally, that any work you present as your own must in fact be your own work and not that of another. Violations of this principle may result in a failing grade in the course and additional disciplinary action by the university. It is the university's expectation, and my own expectation in class, that each student will abide by all Honor Code standards. Please call the Honor Code Office at 422-2847 if you have questions about those standards.

Sexual Harassment:

Title IX of the Education Amendments of 1972 prohibits sex discrimination against any participant in an educational program or activity that receives federal funds. The act is intended to eliminate sex discrimination in education and pertains to admissions, academic and athletic programs, and university-sponsored activities. Title IX also prohibits sexual harassment of students by university employees, other students, and visitors to campus. If you encounter sexual harassment or gender-based discrimination, please talk to your professor; contact the Equal Employment Office at 801-422-5895 or 1-888-238-1062 (24-hours), or www.ethicspoint.com; or contact the Honor Code Office at 801-422-2847.

Student Disability:

Brigham Young University is committed to providing a working and learning atmosphere that reasonably accommodates qualified persons with disabilities. If you have any disability which may impair your ability to complete this course successfully, please contact the Services for Students with Disabilities Office (422-2767). Reasonable academic accommodations are reviewed for all students who have qualified, documented disabilities. Services are coordinated with the student and instructor by the SSD Office. If you need assistance or if you feel you have been unlawfully discriminated against on the basis of disability, you may seek resolution through established grievance policy and procedures by contacting the Equal Employment Office at 422-5895, D-285 ASB.

Targeted Learning Outcomes:

This course has been developed to target the learning outcomes listed below. Students that do well in this class will...

- Understand how to apply time-value-of-money ideas to cash flows and streams of cash flows in various finance-related applications.
- Understand the underlying ideas behind real, nominal, and inflation calculations.
- Be able to convert quoted rates of any time interval to effective annual rates.
- Understand the economic intuition behind the Capital Asset Pricing Model (CAPM).
- Understand and apply basic equity valuation models, including the dividend discount model and the free cash flow discount model.
- Be able to calculate the present value of various debt instruments.
- Be able to compare and use both discounted cash flow as well as multiples and real options approaches to valuation.
- Understand how to calculate firm-level as well as project-level discount rates and values.
- Understand the terminology and important concepts and calculations related to foreign exchanges.
- Understand the risks and monetary benefits related to a firm taking on more debt.
- Understand the issues surrounding a firm's choice of paying dividends versus returning money to shareholders using other non-dividend approaches.
- Understand the different types of mergers that occur and be able to discuss possible synergies from mergers.
- Understand the terminology and key concepts behind risk management using derivative contracts.
- Be able to use the Black-Scholes model to value options.
- Understand key governance and agency issues that affect firm management and performance.

Class schedule:

The schedule shown below gives you a general idea about the structure of the course. If changes are made to the schedule an updated version will be posted on Learning Suite. The PowerPoint slides used during lecture will be posted on Learning Suite in advance of each lecture.

Date	Day	Discussion Topics	Due dates for HW Except for the cases, you can hand in homework outside my office	Chapter & Other Readings
5-Jan	M	- Outline for the course - Managers' objectives (slide set 1)		Review: 5.1-5.3 6.1-6.2 Summary boxes/tables associated with investment decision rules in chapter 9
7-Jan	W	- Time value of money - Valuation equations - Investments decision rules (slide set 2)	HW 1 (Due Friday the 9 th)	
12-Jan	M	- Interest rates - APR vs EAR - Yield curve - Inflation (slide set 3)	HW 2 (Due Tuesday the 20 th)	6.3 7.6 - 7.7 TVM handout
14-Jan	W	No class – MBA Business Trips		
19-Jan	M	No Class - Martin Luther King Jr. Holiday		
21-Jan	W	- Risk and return - Market efficiency	HW 3 (Due Friday the 23 rd)	12.2 – 12.4 12.6
26-Jan	M	- Diversification - CAPM (slide set 4)	HW 4 (Due Tuesday the 27 th)	Ch 13
28-Jan	W	- Stock valuation - Bond valuation (slide set 5)	HW 5 (Due Friday the 30 th)	8.1 7.1-7.3
2-Feb	M	- Firm valuation - Cost of capital (firm level) - Levered betas (slide set 6)	HW 6 (Due <u>Monday</u> the 2 nd)	2.4 14.1-14.4
4-Feb	W	- Shuksan - Terminal values - Growth assumptions - Using multiples for valuation (slide set 7)	Shuksan Genome case Case 1 (Due at the beginning of class Feb 4 th)	
9-Feb	M	- JetBlue Case - Information about IPOs and SEOs (slide set 8)	JetBlue's IPO Case 2 (Due at the beginning of class Feb 9 th)	15.2-15.5
11-Feb	W	No class - midterm 1 in testing center		
16-Feb	M	No class – Presidents Day Holiday		
17-Feb	T (Mon classes)	- International finance - Spot and forward rates - Foreign exchanges - Exchange rates (slide set 9)	HW 7 (Due Thursday the 19 th)	Ch 21

18-Feb	W	<ul style="list-style-type: none"> - Project evaluation - Investments decision rules - Incremental cash flows - Cost of capital (project level) - Divisional betas (slide set 10) 	HW 8 (Due Friday the 20 th)	10.1-10.6 14.5
23-Feb	M	<ul style="list-style-type: none"> - Financing decisions - Debt vs Equity - Tax shields - M&M - Financial distress and bankruptcy (slide set 11) 	HW 9 (Due Friday the 27 th)	Ch 16
25-Feb	W	<ul style="list-style-type: none"> - Esterline (slide set 12) 	Esterline A and B Case 3 (Due at the beginning of class Feb 25 th)	
2-Mar	M	<ul style="list-style-type: none"> - Alaska Air - Additional information of the effects of tax (slide set 13) 	Alaska Air Case 4 (Due at the beginning of class Mar 2 nd)	
4-Mar	W	<ul style="list-style-type: none"> - Payout and share split decisions - dividends - share repurchases - share splits (slide set 14) 	HW 10 (Due Friday the 6 th)	Ch 17
9-Mar	M	<ul style="list-style-type: none"> - Dividend Policy at Linear Technology Case (slide set 15) 	Dividend Policy at Linear Technology Case 5 (Due at the beginning of class Mar 9 th)	
11-Mar	W	<ul style="list-style-type: none"> - Mergers and acquisitions - Form of merger - Payment and premium decisions (slide set 16) 	HW 11 (Due Friday the 13 th)	Ch 26
16-Mar	M	<ul style="list-style-type: none"> - Sun Microsystems Case (slide set 17) 	Sun Microsystems Case 6 (Due at the beginning of class Mar 16 th)	
18-Mar	W	Lecture topic to be determined/ possible in class review for midterm		
23-Mar	M	No class – midterm 2 in testing center		
25-Mar	W	<ul style="list-style-type: none"> - Risk management and options - Forward contracts 	HW 12 (Due Friday the 27 th)	23.1 - 23.5
30-Mar	M	<ul style="list-style-type: none"> - Hedging (slide set 18) 	HW 13 (Due Tuesday the 31 st)	23.6 Ch 24
1-Apr	W	<ul style="list-style-type: none"> - Option contracts - Option valuation (slide set 19) - Convertible bond valuation - Real options (slide set 20) 		
6-Apr	M	<ul style="list-style-type: none"> - Arundel case (slide set 21) 	Arundel case (Case 7) (Due at the beginning of class April 6 th)	
8-Apr	W	<ul style="list-style-type: none"> - Agency issues, corporate 	HW 14	

		governance, and alignment of incentives (slide set 22)	(Due Friday the 10 th)	
13-Apr	M	- TBD		
15-16 Apr	W-TH	Exam Preparation Days		
22-Apr	W	Final Exam: W208 TNRB, 11:00am - 2:00pm		