PEPPERDINE UNIVERSITY
THE GEORGE L. GRAZIADIO
SCHOOL OF BUSINESS AND MANAGEMENT

PEGGY J. CRAWFORD

MBA 677.24

MANAGERIAL FINANCE

FALL 2003

THURSDAY, 6:00 – 10:00 P.M.

PEPPERDINE UNIVERSITY PLAZA

SYLLABUS
Introduction
Welcome to finance. Understanding this discipline is important whether you hold a financial position or not. You make financial decisions everyday and the theories/practices/techniques you learn in this class can be applied to your personal decisions. We will learn to make our money work for us (as well as the other way around!).

To be successful in this class, you must keep up and you must work problems. The quizzes are structured to encourage this (more in a later section) and practice problems are recommended for most chapters. In addition, I suggest that you read the assigned chapters before class and use the class period to further understanding and ask questions. Otherwise, you will have difficulties understanding the class lecture and discussions.

You will be required to use the GraziadioNet. Materials will be placed there and papers submitted there. If you are not familiar with the portal, please look at it prior to class. In addition, I strongly suggest you bring a laptop to the classes that will be indicated. I will show you how to work problems using Excel and doing them as I show you is the easiest way to learn. I will expect you to use Excel when you submit problems. If you are not familiar with the basics of Excel, please review them before class begins.

Course Description
Students learn to define, comprehend, and apply a market-driven theory in analyzing business opportunities and developing problem-solving strategies as ethical financial decision makers. Important issues such as the amount of investment, selecting assets to invest in, and how to make financing decisions so as to increase the value of the shareholder’s stake in the firm will be addressed in an environment which features uncertainty and the passage of time. Topics explored include: financial markets, financial reporting, the cost of capital,
portfolio analysis, capital structure and the value of debt, dividend policy, options, cash management, and international monetary finance.

**Course Objectives**
The objective of this course is to introduce students to the theory and practice of financial decision-making. At the conclusion of the course, students should be able to demonstrate managerial level decision making in the following areas:

1. Valuation of stocks, bonds, and the firm.
2. Function and operation of financial markets.
3. Assessment of debt versus equity financing.
4. Identification and measurement of risk factors.
5. Evaluation of investment alternatives.
6. Analysis of the financial health of the firm.

In addition, students will be expected to communicate these skills both orally and in writing.

**Texts and Course Materials**

**Grading**
- Questions/Problems: 200 points
- Case 1: 50 points
- Case 2: 50 points
- Total: 300 points

**Questions/Problems**
During the first 5 – 20 minutes of 10 class sessions, a problem or question covering the material of the previous class will be assigned. The assignments will be worth between 10 and 50 points. The assignments are open-note, open-book, but because of the limited time allocated for completion, students should be well prepared. If you bring a laptop to class, please pick up a wireless card if you do not have one in your computer and submit your answer/solution electronically using your personal file on the GraziadioNet. If an assignment is missed, students must meet with the professor to receive an alternative problem or question.

**Case Assignment**
Two cases will be put in the “assignments” area of the Portal. Each case will be due at the beginning of the next session. Hardcopies are required. The cases are to be a maximum of three, doubled-spaced pages plus appendices and exhibits. The cases will be graded as to rationality of the assumptions made, sophistication of the analysis, clarity of presentation, and support of your conclusions. Cases will be accepted late, but the grade will be penalized. Note:
grammatical errors, poor sentence structure, and misspelled words will greatly reduce your grade.

**Attendance Policy**
Class attendance is expected. If a class must be missed, the student is expected to notify the professor prior to the class. If a question/problem was given that day, the student must arrange for a make-up exercise immediately.

**Class Notes**
Copies of the class outline will be available on the Portal at least five days prior to the class. Feel free to print these and bring them to class.

**Suggested Problems**
Finance is learned by doing. I suggest you work the following problems in each chapter. The answers are in Appendix B (you may want to start with the Self-Test Problems which are solved in Appendix A). They will not be handed in or graded, and we will not go over them in class. But, they will help you successfully complete the graded problems and case. It is suggested that you use the “discussion” area of the Portal to gain help from other students. I’ll talk about this in more detail the first day of class. **Note:** Feel free to work more if you would like!

Chapter 2    2-3, 2-5, 2-6, 2-10, 2-11
Chapter 3    3-1, 3-3, 3-6, 3-8, 3-9, 3-12
Chapter 4    4-1, 4-2, 4-3, 4-5
Chapter 6    6-1, 6-2, 6-3, 6-6, 6-17
Chapter 8    8-1, 8-5, 8-6, 8-7, 8-14, 8-17, 8-19, 8-23
Chapter 9    9-1, 9-2, 9-5, 9-7
Chapter 10   10-1, 10-2, 10-4, 10-5, 10-6, 10-8
Chapter 11   11-1, 11-2, 11-3, 11-4, 11-8, 11-11, 11-12, 11-13
Chapter 13   13-1, 13-2, 13-3, 13-6, 13-9, 13-16, 13-25
Chapter 14   14-1, 14-2, 14-3, 14-4, 14-6
Chapter 16   16-1, 16-2, 16-8
Chapter 17   17-2, 17-3, 17-7
Conduct

“The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
- Interference with the academic or administrative process of the University or any of the approved activities.
- Otherwise unprotected behavior that disrupts the classroom environment.
- Theft or damage to property.
- Violation of civil or criminal codes of local, state, or federal governments.
- Unauthorized use of or entry into University facilities.
- Violation of any stated policies or regulations governing student relationships to the University.

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

**Dismissal** – separation of the student from the University on a permanent basis.

**Suspension** – separation of the student from the University for a specified length of time.

**Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations
to and restrictions of the student’s privileges may accompany probation.”
GSBM Catalog, pgs. 221-222.

Policy on Disabilities
Assistance for Students with Disabilities

“Students with disabilities, whether mental or physical, are encouraged to contact the Equal Opportunity Office before the academic year begins or soon after classes are in session. This office will assist each student by providing general information about campus facilities and available resources. The office will assist in providing reasonable accommodation to students with disabilities pursuant to applicable laws. Inquiries should be directed to the director of disabilities, Trevor Reynolds, (310) 506-6500. (Students who wish to file a formal grievance should refer to the “Nondiscrimination Policy,” which is listed in the “Legal Notices” section of this catalog.)” GSBM Catalog, pg. 33.
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/28/03</td>
<td>Introduction to Finance</td>
<td>1, 5</td>
</tr>
<tr>
<td>09/04/03</td>
<td>Financial Statements</td>
<td>2, 3, 4</td>
</tr>
<tr>
<td>09/11/03</td>
<td>Mathematics of Finance</td>
<td>8</td>
</tr>
<tr>
<td>09/18/03</td>
<td>Risk and Return</td>
<td>6, 7</td>
</tr>
<tr>
<td>09/25/03</td>
<td>Valuation</td>
<td>9, 10</td>
</tr>
<tr>
<td>10/02/03</td>
<td>Capital Budgeting – 1</td>
<td>13</td>
</tr>
<tr>
<td>10/09/03</td>
<td>CASE – no class</td>
<td></td>
</tr>
<tr>
<td>10/16/03</td>
<td>Capital Budgeting – 2</td>
<td>14</td>
</tr>
<tr>
<td>10/23/03</td>
<td>Cost of Capital</td>
<td>11</td>
</tr>
<tr>
<td>10/30/03</td>
<td>Capital Structure</td>
<td>16, 17</td>
</tr>
<tr>
<td>11/06/03</td>
<td>Dividend Policy/Working Capital</td>
<td>18, 22</td>
</tr>
<tr>
<td>11/13/03</td>
<td>Long-term/Hybrid Financing</td>
<td>19, 21</td>
</tr>
<tr>
<td>11/20/03</td>
<td>Derivatives and Risk Management</td>
<td>15, 24</td>
</tr>
<tr>
<td>11/27/03</td>
<td>HOLIDAY</td>
<td></td>
</tr>
<tr>
<td>12/04/03</td>
<td>Multinational Financial Management</td>
<td>27</td>
</tr>
</tbody>
</table>