

***Introductory Financial Management  
CIMBA Italy Programs  
Fall 2015***

**Visiting Professor Michael Palmer**

**University of Colorado, Leeds School of Business, Boulder, Colorado**

**Kansai Gaidai University, Asian Studies Program, Osaka, Japan,**

**Ansbach University of Applied Sciences, Ansbach, Germany**

**Email Address: Michael.palmer@colorado.edu.**

**DEO contact information: Finance: Erik Lie erik-lie@uiowa.edu**

***Course Description:***

This course will cover concepts and methods of financial management. Topics include risk and return, asset evaluation, capital budgeting, capital structure, dividend policy, business financial planning and working capital management. Particular emphasis will be given to the finance function and its relevance to the management of a business. Analysis, problem solving techniques and decision-making tools are emphasized. The time value of money as it applies to the capital budgeting decision will be developed.

The course will examine the use of financial ratios to evaluate the performance of the firm.

Differences between domestic and multinational financial management will be presented throughout the course. As such we will examine the impact of currency changes, political and economic risk, and the globalization of financial markets on the financial management function.

Stock, bonds and interest rates will also be covered. We will examine valuation models for stocks and bonds along with the determinants of interest rates.

***Text Book:***

Fundamentals of Financial Management by Brigham and Houston, 8<sup>th</sup> Edition (Concise), South-Western, Cengage Learning, ISBN 978-285-06513-7

Note: this book will be distributed upon arrival at the CIMBA campus in Paderno del Grappa and does not need to be purchased in advance.

***Grading:***

Your grade for this course will be based on 4 exams. Exams will include multiple-choice questions from lectures, assigned readings and the textbook, essay questions and calculation questions. Calculators will be needed for some of these questions.

Exams will be closed note and closed book. Exams and quizzes will be given during the regular class meeting time. The final exam will be cumulative; exams 1 through 3 will not be cumulative.

Final course grades will be determined as follows:

Exam 1:	10%	Date: TBA
Mid-Term Exam:	20%	Date: TBA
Exam 2:	30%	Date: TBA
Final Exam:	40%	Date: TBA

It is expected that final grade distribution will approximate the recommended guidelines of the Tippie College of Business, Department at the University of Iowa, which is 25% A's, 35% B's, 30% C's, and 10% D's. Plus and minor grades may be given.

***Course Prerequisites:***

The University of Iowa Department of Finance prerequisites for this course include:

- Introduction to Financial Accounting
- Managerial Accounting
- Principles of Microeconomics
- Principles of Macroeconomics

***Attendance:***

Attendance at all classes and CIMBA sanctioned activities is MANDATORY. All unexcused absences will have the following consequences: a. 1st absence will result in a loss of a 1/2 of a letter grade in that class b. 2nd (cumulative) absence will result in a loss of an entire letter grade in that class c. 3rd (cumulative) absence will result in a dismissal from the program Absences due to illness require a note from the CIMBA Staff. If a student is sick and cannot attend class, he/she must inform the CIMBA Staff immediately. Failure to do so will result in an unexcused absence.

***Office Hours:***

I will be available for at least 30 minutes after class for the purpose of answering your questions. Once the semester begins, I will determine and announce regular office hours. The location (my office) for these office hours will be determined once we arrive in Italy. I also anticipate holding some occasional help sessions to help prepare for exams and quizzes.

## ***Lecture Topics:***

The following lecture topics will constitute the lecture structure for this course. The power point slides for each lecture will be available online on my course site in advance of the actual lecture. You are encouraged to print these slides in advance or bring your laptops to class to follow the slides during the lectures. Given that we will be discussing current events as part of this course, the pace of the class will determine exactly how many lecture topics and what depth of each topic we will cover.

### ***Lecture 1: Introduction to Financial Management***

In this first lecture we will discuss some important issues in the field of financial management, such as the role of finance within a business organization, the financial goals of management, the capital allocation process, financial markets and financial institutions. We will also discuss how globalization has impacted on the financial function (for example raising funds, dealing with different equity cultures, etc.).

### ***Lecture 2: Important Financial Statements***

In Lecture 2 we will explore the critical financial statements used by financial managers, specifically, a firm's balance sheet, income statement and cash flow statement. We will also examine some of the financial ratios that are useful to financial managers in evaluating the financial position (and financial health) of their firms. Lecture 2 will also examine time value of money issues and measures (e.g., present values and future values)

### ***Lecture 3: Interest Rates***

Lecture 3 will examine the determinants of interest rates in an economy. Factors such as inflation, economic activity, and central bank policies will be discussed. We will examine default risk premiums. The term structure (yield curve) will also be developed as a tool for forecasting future interest rates and changes in economic activity. In this regard, we will examine current yield curves for various countries and explore important on line web site for these.

### ***Lecture 4: Bond and Stock Valuations***

Important bond market terms and yields, such as coupon yields, current yields and yields to maturity will be explained. We will examine the market pricing of seasoned bonds with the concept of present value. The important inverse relationship between market interest rates and bond prices on seasoned issues will be explored. Web sites that calculate the present value (i.e., market prices) of bonds for given market interest rates and maturity dates will be introduced. Stock market valuation models, such as the dividend model, will also be covered.

### ***Lecture 5: Expectations and Behavioral Finance***

The role of market expectations in setting market current financial market prices will be discussed. The rational expectations model will be introduced. This

lecture will conclude by looking at the field of behavioral finance as it relates to financial asset pricing.

***Lecture 6: Risk***

The issue of risk as it relates to financial market instruments will be developed in Lecture 5. We will develop the risk on – risk off financial market model. The lecture will also introduce you to various measures of financial risk such as betas and standard deviations.

***Lecture 7: Topics in Capital Budgeting***

This lecture will discuss the approaches used by business firms in making long-term investment decisions. We will examine the cost of capital as a cut off (minimum) return on new projects and apply this to capital budgeting techniques such as the net present value (NPV) and internal rate of return (IRR). We will also look at some additional capital budgeting techniques such as payback.

***Lecture 8: Topics in Capital Structure***

Lecture 8 will explore the impact of different capital structures (proportion of debt and equity) of a firm. We will examine the impact of capital structure on risk and the firm's cost of capital.

***Lecture 9: Working Capital Management***

In this lecture we will discuss the management of a firm's short-term financial position, specifically current assets and current liabilities.

***Lecture 10: Financial Management in a Global Setting***

Financial market globalization is playing an increasing role in the financial management decision. Throughout the course we will be exploring the impact of this international environment on today's business firm. This concluding lecture will expand on some of these global issues.

***Phones and Laptops:***

Please turn off all phones and laptops before entering class. Also, because it is very distracting to students seated nearby, please refrain from using a laptop computer during class, unless otherwise notified by the professor (e.g., when covering power point slides or linking to on-line sites). Communication devices of any type are prohibited during quizzes and examinations. Please refrain from checking or sending an email or text message during class.

***Information Regarding Professor Michael Palmer:***

Professor Palmer taught at the University of Colorado, Leeds School of Business, from 1967 to 2013 when he retired. During that time, he taught classes in international finance, financial markets, investments, portfolio management, and corporate finance. His research focused on sovereign debt (developing models for forecasting country defaults). He was also the academic

director of the Leeds' International Finance summer study abroad program in London, England for 27 years. He has taught in various countries, including China and participated four times on Semester at Sea. He is a visiting faculty member at Kansai Gaidai University in Osaka, Japan where he teaches courses in international capital markets and international business. In 2013, he joined the summer faculty at Ansbach University of Applied Sciences, in Ansbach, Germany, where he teaches classes in international finance.

Feel free to stop by his office. Finally, he prefers that you call him Michael, assuming you are comfortable doing so.

***Important Additional Course Information:***

- Administrative home of the course is the Tippie College of Business The Tippie College of Business is the administrative home of this course and governs matters such as the add/drop deadlines, the second-grade-only option, and other related issues. Different colleges may have different policies.
- University policy specifying that students are responsible for all official correspondence sent to the UI email address (@uiowa.edu) University policy specifies that students are responsible for all official correspondences sent to their University of Iowa e-mail address (@uiowa.edu).
- Academic fraud: If I determine that any assignment was not written solely by the student whose name is on the project, the student will receive a zero (0) for the assignment and may receive an "F" for the class. All incidents of cheating will be reported to the Senior Associate Dean and the student may be placed on disciplinary probation for the remainder of his or her enrollment at the University of Iowa. Honor Code for the Tippie College of Business will determine the appropriate appeal process.
- Accommodations for students with disabilities: A student seeking academic accommodations such as a modification of seating, testing, timing, etc. should first register with Student Disability Services, then contact Shannon Lizakowski (Shannon-lizakowski@uiowa.edu) in the CIMBA Office to make further arrangements. See <http://sds.studentlife.uiowa.edu> for more information.
- Description of procedures for student complaints: Student concerns regarding this course should first be discussed with me, the faculty member teaching this course. If we can't resolve the complaint, you may contact the CIMBA Director, Brandelle Unkrich (319-335-1041, brandelle-unkrich@uiowa.edu). The Director will review the details of the complaint and involve the Associate Dean of the Undergraduate Programs, as needed.
- University sexual harassment policy: Sexual harassment subverts the mission of the University and threatens the well-being of students, faculty, and staff. All

members of the UI community have a responsibility to uphold this mission and to contribute to a safe environment that enhances learning. Incidents of sexual harassment should be reported immediately. If you feel that you are being or have been harassed or you are not sure what constitutes sexual harassment, we encourage you to visit the University website, [www.sexualharassment.uiowa.edu/index.php](http://www.sexualharassment.uiowa.edu/index.php), and to seek assistance from the CIMBA Director, Brandelle Unkrich, at 319-335-1041 or [brandelle-unkrich@uiowa.edu](mailto:brandelle-unkrich@uiowa.edu).