



Introductory Financial Management

FIN: 3000

Fall 2018

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Course Description

Introductory Financial Management studies corporate finance and capital markets, emphasizing the financial aspects of managerial decisions.

This course is designed to introduce you to the fundamental issues of financial management and to the quantitative techniques used to address them. 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 finance function will be developed, and especially to the capital budgeting decision and to bond pricing.

The course will describe and evaluate the basic features of financial markets and their connection to a business organization. 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. We will explore the yield curve.

The course will examine the use of financial ratios to evaluate the performance of the firm. We will calculate and analyze the financial statements of selected companies.

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. We will also examine cross-cultural differences in the management of a business organization.

The format of this course is primarily lecture and discussion, with real-world in class assignments to help you make the linkage with business operations and to gauge your understanding of the material.

Prerequisites: Introduction to Financial Accounting (ACCT: 2100); Principles of Microeconomics (ECON: 1100); Principles of Macroeconomics (ECON: 1200).

Required Supplies: Basic Financial Calculator

Course Objectives

1. To develop an understanding and appreciation of the role of financial management in a business organization.
2. To develop analytical skills necessary for the financial decision making process of a business organization.

3. To develop an understanding and appreciation of current financial issues facing business organizations through line web sites and readings and discussions of current articles in the financial press.

Course Materials & Resources

The textbook for this course is Fundamentals of Financial Management by Brigham and Houston, 8th 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.

Articles and prepared readings will be posted on ICON.

Grading

Your grade for this course will be based on three exams. Exams will consist of essay questions from lectures and assigned readings. Some questions will involve problem solving. A calculator will be needed for this class for these exams.

Final course grades will be determined as follows:

Exam 1:	20%
Mid-Term Exam:	30%
Final Exam:	50%

Class participation will be strongly encouraged, but will not be a factor in determining final grade. The dates for these exams will be provided during the first week of class.

Letter grades will be based initially on a 90%, 80%, 70%, 60% format. Adjustments to this format will be made during the semester as exams are given. Plus and minus grades might be given.

The final grade distribution will be influenced by 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. Please see UI Policies on the CIMBA website: <http://cimbaui.com/ui-policies/>

Class Schedule

The following lecture topics will constitute the lecture structure for this course. While the topics are listed by week, the time frame for coverage may be different depending upon class and lecture circumstances.

Week 1 Lecture Topic: 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 and different risk environments, etc.).

This lecture will also touch on the functions of a CFO within an organization. We will look at responsibilities with regard to managing the organization's cash flow, liabilities, monitoring financial performance, establishing financial relationships, raising capital, budgeting and expense control, shareholder relations, and compliance with financial regulations.

We will also discuss the relationship of the CFO to the Board of Directors, the CEO and COO.

Weeks 2 and 3 Lecture Topic: Financial Markets and Financial Institutions

This lecture will explore the structure of a country's financial market and examine this market in relation to the life cycle of a business firm from a start up to a mature corporation. We will also examine the sources of funds for financial markets and institutions. We will examine the role of venture capital firms and the IPO process for raising capital. Finally we will compare and contrast the differences between a bank based financial structure (e.g., Germany, Italy and Japan) from a market based financial structure (U.S.).

Weeks 4 and 5 Lecture Topic: Financial Statements and Financial Statement Analysis

In this lecture 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. Selected company financial statements will be incorporated into this lecture. Students will be computing and analyzing financial ratios.

Week 6 Lecture Topic: The Bond Market and Yield Curves

This lecture will examine the determinants of interest rates in an economy. Factors such as inflation, economic activity, and central bank policies will be discussed. 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.

Week 7 Lecture Topic: 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 8: 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.

Week 9 Lecture Topic: Capital Structure

This lecture will discuss the role of debt (leverage) in a company's capital structure. We will examine leverage ratios and the factors affecting the use of debt (e.g., structure of assets, cash flow of company, tax exposure, etc). We will explore the impact of leverage on the return on equity.

Week 10 Lecture Topic: Cost of Capital and Capital Budgeting Decision

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 net present value (NPV) and internal rate of return (IRR). We will also look at some additional capital budgeting techniques such as payback. We will calculate the weighted average cost of capital (WACC) and apply it to the various capital budgeting techniques.

Week 11 Lecture Topic: 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.

Attendance Policy

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 1/3 of a letter grade in that class (1/2 in the summer program)
- 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 Office 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.

Grievance Policy

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 Interim Director, Stephanie Schnicker (319-335-1041, stephanie-schnicker@uiowa.edu). The Director will review the details of the complaint and involve the Associate Dean of the Undergraduate Programs, as needed.

Academic Misconduct

The Tippie College of Business at the University of Iowa follows an honor code regarding academic misconduct. That code can be found at <http://tippie.uiowa.edu/honorcode.cfm> and includes cheating, plagiarism, unauthorized collaboration, obtaining an unfair advantage, forgery, facilitating academic dishonesty, and misrepresentation. Be sure you are familiar with this code. Students who exhibit academic dishonesty will receive a zero (0) for the assignment or examination involved and may receive an "F" for the class. All incidents of cheating will be reported to the CIMBA staff, as well as to the Senior Associate Dean of the Tippie College of Business. The decision of the professor may be appealed to a Judicial Board. The Honor Code for the Tippie College of Business will determine the appropriate appeal process.

Accommodating Students with Disabilities/Academic Accommodations

A student seeking academic accommodations such as a modification of seating, testing, timing, etc. should first register with Student Disability Services, then contact the CIMBA Italy Office (cimba-italy@uiowa.edu) to make further arrangements. See <http://sds.studentlife.uiowa.edu> for more information.

Sexual Harassment

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, and to seek assistance from the CIMBA Interim Director, Stephanie Schnicker, at 319-335-1041 or stephanie-schnicker@uiowa.edu.

Phones and Laptops

Please turn off all phones before entering class. Unless otherwise notified by the professor (e.g., when linking to on-line sites), please refrain from using a laptop computer during class. Communication devices of any type are prohibited during examinations.