Course Syllabus

1 Basic Information

Instructor: Uday Rajan
E-mail: urajan@umich.edu (best way of reaching me).
Telephone: 734-764-2310.
Office: R5434.
Office Hours: Regular hours: Monday 1:10–2:10 pm, Wednesday 4:30–5:30 pm.
Other times announced on a week-to-week basis.
Yet other times by appointment.

TIMINGS
All classes meet in R0230, on Tuesdays and Thursdays.
Section 6: 8:00 am–10:20 am.
Section 5: 10:20 am–12:40 pm.
Section 3: 2:10–4:30 pm.

READINGS

Some editions come with an S&P card, which will not be required for the course. Please see
the announcement on CTools for information about an e-book version of the textbook.

Other Readings: From time to time, I will post additional readings to the CTools site.

Lecture Outlines: Slides will be posted to CTools approximately two days before class.

ONLINE INFORMATION
Online information for this course is being maintained at CTools (ctools.umich.edu).
Please check the announcements section of this site regularly.

The CTools site is organized as follows.
• The Resources folder will contain the course syllabus (this document), lecture slides, and
any additional readings.
I will post my lecture slides to the CTools site at least two days before each class. Please read through the slides before coming to class. I will bring hard copies to class.

- The Assignments folder will contain the problem sets and individual assignment.
  You will also submit your problem sets and individual assignment into the Assignments folder.

- The Gradebook will contain your grade on each component of the course.

- The Discussion folder may be used to start and respond to discussion threads.

- The Schedule will contain details on timings of classes, assignments, and exams. Information in the Schedule replicates information in the course syllabus. Timings of additional sessions not in the syllabus will be announced on CTools.

- Announcements of interest to the class as a whole will be posted to CTools regularly. You may elect to receive these via e-mail or to read them at the CTools site, in the Announcements folder.

2 Course Objectives

The course has three main goals. First, to get you thinking like a financial manager. The course will focus on some of the key fundamental concepts in finance and on how to apply them to business situations. Since it is the first course in finance we offer at the school, a lot of time will be spent on the concepts themselves. The course as a whole has a problem-solving approach, since trying to work through problems is an effective method for quickly coming up to speed with applying new concepts.

Second, to lay the groundwork for other finance courses you may take during your MBA. The specific additional courses you take will depend on your own specific career interests, but the key principles of finance remain the same.

Third, to expose you to some contemporary issues in corporate finance and the financial markets. Many of these issues will be touched upon in class. Though not formally assigned as readings, you should make a habit of reading business newspapers such as the Wall Street Journal or the business section of the New York Times.

3 Student Preparation and Assignments

3.1 Be Prepared

Now that you are familiar with the school, you know that schedules (and our 6-week terms!) are unforgiving. If you fall behind in week 2, there is very little time to catch up. If you are
having trouble with any aspect of the course, let me know early. On an ongoing basis, be prepared. Do the readings before you come to class. Look through the lecture slides and think about the material before you come to class. Keep up with the problem sets and solutions.

### 3.2 Assignments: Group Work

The problem sets are to be done in groups of up to 5 students. That gives you a fair amount of flexibility in terms of finding a group you are comfortable working with. To give you some additional flexibility, you may form groups across sections. Please form your own groups. To facilitate the matching process, I will start a thread “Looking for a Group” under Discussion on the CTools site. If you are looking for group-mates, you can post to this thread and also contact others who have posted to it.

In principle, the problem sets can be done individually. However, working with a group will help since group members with complementary skills can advance each others’ knowledge. Of course, make sure you are prepared before the group meetings, or someone else may do all the work, and your own understanding may lag behind.

The first assignment is due on 9 pm on Monday, Nov 8. You will notice from the schedule that all assignments are due on 9 pm the evening before class.

### 4 Grading

Course grades will use the following weighting scheme. Final grades will be consistent with the Ross School guidelines for core MBA courses.

1. Final Exam 45%
2. Individual Assignment 25%
3. Problem Sets 20%
4. Class Participation 10%

**Final Exam**: The final exam will be comprehensive. You will be allowed to use your laptop on each exam. Hence, the exam will be open-book. However, you will likely not have time to flip through the book on each exam question, so the onus is on you to be prepared! I encourage you to prepare a single sheet of notes (a “cheat-sheet”, if you wish) to bring with you to the exam.

**Individual Assignment**: Approximately halfway through the course, we will ask you to submit an individual assignment. The assignment will be comprehensive in the sense that it will be based on all material covered in class to that point. As the name suggests, the assignment is to be done without consulting anyone else.
Problem Sets: There are 4 problem sets during the course. Problem Set 2 will be based partly on the Columbia Alloys case, and Problem Set 4 partly on the Pioneer Petroleum case. Case material will be posted to the CTools site. Since cases require some extra time to plan and think about, please budget your time accordingly.

On each problem set, I will open a CTools thread under “Discussion” to answer clarifying questions, so that everyone in the course has access to the same information. If you need help interpreting the information in a question or what you are being asked to do, please post a question to this thread. The thread may also be used to conduct an online discussion.

Class Participation: This is largely a lecture-oriented course, but it is important for you to be engaged and to think along with me in class. Engagement can be shown in different ways, including participating in class discussions, communicating with me via e-mail on a topic related to the course, and finding typos on problem set solutions. On this component, I will reward students whose input during the term I judge to be the most valuable in terms of its contribution to the learning of the class.

Regrade Policy: If you wish to have an assignment regraded, return it to me with a note explaining why you want a regrade. This must be done no later than a week after the assignment has been returned. We will regrade the entire assignment.

5 A Few Course Rules

- You must display your name card throughout the term.
- No cell phone usage in class. Please turn your ringers off.
- You are expected to be familiar with the school’s Honor Code, and to conform to all its requirements (see Section 7.1 below).
- Please be punctual. Classes start on (Michigan) time.
- If you have to miss class for any reason, you must let me know ahead of time via e-mail. A failure to do so may adversely affect your class participation grade.
- To ensure a prompt response to e-mail, please put “Fin 503” in the subject line, e.g. “Subject Fin 503: Positive NPV projects—Myth or Reality?”
## Day-by-day Outline

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>RWJ Chapter</th>
<th>Assignments</th>
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<tbody>
<tr>
<td>Tue Nov 2</td>
<td>Introduction</td>
<td>1</td>
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<td>Time Value of Money</td>
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<td>Thu Nov 4</td>
<td>NPV and Other Valuation Criteria (IRR, Payback)</td>
<td>5</td>
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<td>Tue Nov 9</td>
<td>Capital Investment Decisions: Cash Flows</td>
<td>6</td>
<td>Problem Set 1</td>
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<td>Due 9 pm Mon, Nov 8</td>
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<td>Thu Nov 11</td>
<td>Special Topics in Capital Budgeting</td>
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<td>Tue Nov 16</td>
<td>Columbia Alloys Case</td>
<td>6</td>
<td>Problem Set 2</td>
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<td>Capital Budgeting under Financial Constraints</td>
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<td>Due 9 pm Mon, Nov 15</td>
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<td>Thu Nov 18</td>
<td>Security Valuation: Bonds</td>
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<td>Tue Nov 23</td>
<td>Security Valuation: Equities</td>
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<td>Individual Assignment</td>
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<td>Risk and Return: Measurement</td>
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<td>Due 9 pm Mon, Nov 22</td>
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<td>Read Statistics Primer</td>
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<td>Tue Nov 30</td>
<td>Diversification and Portfolio Theory</td>
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<td>Capital Asset Pricing Model</td>
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<td>Thu Dec 2</td>
<td>CAPM continued.</td>
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<td>Cost of Capital</td>
<td>13</td>
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<td>Tue Dec 7</td>
<td>Market Efficiency</td>
<td>14</td>
<td>Problem Set 3</td>
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<td>Due 9 pm Mon Dec 6</td>
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<td>Thu Dec 9</td>
<td>Capital Structure</td>
<td>16, 17.1–17.4</td>
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<td>Tue Dec 14</td>
<td>Pioneer Petroleum Case</td>
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<td>Problem Set 4</td>
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<td>Course Wrap-up</td>
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<td>Due 9 pm Mon, Dec 13</td>
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<td>Fri Dec 17</td>
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**Final Exam,** 10 am – 1 pm.
7 Other Announcements

7.1 Honor Code

Personal integrity and professionalism are fundamental values of the Ross Business School community. This course will be conducted in strict conformity with the Academic Honor Code, which can be found at www.bus.umich.edu/Academics/Resources/communityvalues.htm. The site also contains comprehensive information on how to be sure that you have not plagiarized the work of others. Claimed ignorance of the Code and related information appearing on the site will be viewed as irrelevant should a violation take place. Non-Ross Business School students taking the course should also familiarize themselves with the Code as they will be subject to the Code as well while in this course.

Specifically, in this course:

• The individual assignment and final exam must be done individually, without any contact with anyone else.

• You may discuss problem sets with students outside your group. However, you are not allowed to copy part or all of someone else’s spreadsheet. Each group must construct its own solutions to each problem set.

• On the problem sets, individual assignment or final exam, you are not allowed to use any material from prior versions of FIN 503 or FIN 513.

7.2 Students with Disabilities

If you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of the course, the assignments, and the exams may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. Any information you provide me is treated as private and confidential.