

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: Tuesday 4:30-5:30 pm, Thursday 3-4 pm.

Other times announced on a week-to-week basis.

Yet other times by appointment.

TIMINGS

All classes meet in R1230, on Mondays and Wednesdays.

Section 1: 10:20 am–12:40 pm.

Section 2: 2:10–4:30 pm.

READINGS

Required Textbook: Ross, Westerfield, Jaffe (8th edition).

ISBN Number: 0073105902.

Course Packet: Contains the two cases we will cover.

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

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 case analysis questions.

You will also submit your problem sets into the Assignments folder.

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

513 or 503? Students regularly ask us whether they should take FIN 513 (this course) or FIN 503, our “regular” core finance class. Taking this course requires that you exempt one of the core courses in Fall A (typically, one or more of Accounting, Statistics, or Business Economics). It also requires a degree of comfort both with numbers and with quantitative ways of thinking in general. If you are still coming up to speed with quantitative techniques, it may be advisable to take the Statistics class in Fall A and to take FIN 503 in Fall B.

No prior background in finance is assumed in FIN 513. While I expect that most of the students taking this course will have a career interest in finance, that is not a requirement either.

3 Student Preparation and Assignments

3.1 Be Prepared

Since this is your first term at business school, I will mention the two words most important to success during your MBA: 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.

Business school 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.

3.2 Assignments: Group Work

The problem sets are to be done in groups of 2 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 Forums 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 Tue, Sep 15. 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 elective MBA courses (yes, this is an elective class, not a core one).

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|------------------------|-----|
| 1. Problem Sets | 20% |
| 2. Class Participation | 10% |
| 3. Midterm Exam | 25% |
| 3. Final Exam | 45% |

Exams: The final exam will be comprehensive. You will be allowed to use your laptop on each exam. Hence, both exams are 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!

Problem Sets: There are 6 problem sets during the course, to be done in groups of 2 to 5 students (more on this below). For the purposes of your grade, I will consider the 5 best problem sets out of the 6. All 6 will be relevant for the exams, so I recommend that you take all 6 seriously.

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. On this component, I will reward students whose input during the term is 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 513" in the subject line, e.g. "**Subject** Fin 513: Positive NPV projects—Myth or Reality?"

6 Day-by-day Outline

Date	Topic	RWJ Chapter	Assignments
Wed Sep 9	Introduction Time Value of Money	1 4	Read QSW material Look at QSW Excel file
Mon Sep 14	NPV and Other Valuation Criteria (IRR, Payback)	6	
Wed Sep 16	Capital Investment Decisions: Cash Flows	7	Problem Set 1 Due 9 pm Tue, Sep 15
Mon Sep 21	Special Topics in Capital Budgeting	7	Problem Set 2 Due 9 pm Sun, Sep 20
Wed Sep 23	Capital Budgeting under Financial Constraints Security Valuation: Bonds	7 5	
Mon Sep 28	Columbia Alloys Case Bonds: Term Structure	5	Problem Set 3 Due 9 pm Sun, Sep 27
Tue Sep 29	Midterm Exam, 4:45–6:45 pm.		
Wed Sep 30	Security Valuation: Equities Risk and Return: Measurement	5 9	Read Statistics Primer
Mon Oct 5	Diversification and Portfolio Theory Capital Asset Pricing Model	9 10	Problem Set 4 Due 9 pm Sun, Oct 4
Wed Oct 7	CAPM continued. Cost of Capital	10 12	
Mon Oct 12	Market Efficiency	13	Problem Set 5 Due 9 pm Sun, Oct 11
Wed Oct 14	Capital Structure	15	
Mon Oct 19	Pioneer Petroleum Case Course Wrap-up		Problem Set 6 Due 9 pm Sun, Oct 18
Wed Oct 21	Final Exam, 4–6 pm.		

7 Other Announcements

7.1 Tozzi Center Sessions

Kai Petainen, who manages the Tozzi Center, has agreed to run introductory sessions in the center specifically for students in this course. These sessions are designed to introduce you to the information resources available at the Center. Although we will not be directly using the Tozzi Center in this course, several elective classes down the road make extensive use of the Center and its resources.

The Center can accommodate 40–50 students at a time. I will break the class up into four groups and post an announcement to CTools about two weeks before the sessions. The sessions will take place from Monday, October 5, to Thursday, October 8, from 6 to 8 pm.

7.2 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:

- 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 on an assignment. Each group must construct its own solutions to each problem set.
- On the problem sets or exams, you are not allowed to use any material related to FIN 513 or FIN 503 from previous years, whether taught by me or any other instructor.
- Both exams must be done individually, without any contact with anyone else.

7.3 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.