

# Syllabus

**Econ 134A: Financial Management**

**Summer 2011**

## General Information

### Instructor

- João Sobral do Rosário
- Office: NH30
- Office Hours: Mondays 2pm-4pm and Fridays 10am-12pm
- Email: [rosario@econ.ucsb.edu](mailto:rosario@econ.ucsb.edu)
- Class Website: <http://econ.ucsb.edu/~rosario/econ134a.html>

### Meeting Times

- Tuesdays, Wednesdays and Thursdays, 11:00am-12:25 pm, North Hall 1006

### Section Times

- Friday 9:30am-10:50am Girvetz 2123 Chris Goodwin
- Friday 11:00am-12:20pm Girvetz 1116 Chris Goodwin
- Friday 12:30pm-1:50pm Girvetz 2112 Mathurin Some

### Teaching Assistant Office Hours

- Chris Goodwin Friday NH2057 12:30pm-2:30pm
- Mathurin Some Weekday Office Time

### Summary

This is a first class in Corporate Finance. The purpose of this class is to provide the student with the tools and skills to value different financial assets, understand the processes for optimal investment and portfolio decisions and learn the process of corporate decision making.

## Required Reading

- Ross, Westerfield and Jaffe (RWJ), Corporate Finance, Irwin/McGraw Hill, 9<sup>th</sup> Edition.
- Lecture notes, made available in the class website.

## Evaluation

Grading will be based on three tests, on the end of the second, fourth and sixth weeks of instruction. The tests will be on the material covered during that two week period, and therefore are non-cumulative.

The two best tests will count each 45% of the final grade and the worst test will only count for 10% of the final grade.

The final grade will not result in any curving, but instead on the raw score each student receives after the three tests are considered. The grading scale is the following

A+	100%-85%
A	85%-80%
A-	80%-75%
B+	75%-70%
B	70%-65%
B-	65%-60%
C+	60%-55%
C	55%-50%
C-	50%-45%
D	45%-40%
F	40%-0%

## Grade Review

The Teaching Assistants are responsible to grade the tests and you can meet them at a time of their discretion to review the exam. Any changes to the final grade will have to be agreed at that moment. When the student takes possession of the test and leaves the Teaching Assistant's office, the grade becomes final and will not be changed if the student later discovers any potential grading mistakes.

If the student disagrees with the grading of the Teaching Assistant, he can request the test to be reviewed by the Instructor. The Teaching Assistant will keep the test and give it to the Instructor for review. The Instructor's decision is final.

## Course Outline

- 1) Present Value and Interest Rate Mathematics**
  - a. Present Value (RWJ, Chapter 4)
  - b. Interest Rates (RWJ, Chapter 8)
  
- 2) Valuation and Investment Decisions Under Certainty**
  - a. Present Value of Bonds (RWJ, Chapter 8)
  - b. Present Value of Stocks (RWJ, Chapter 9)
  - c. Alternative Investment Criteria (RWJ, Chapter 6)
  - d. Net Present Value and Capital Budgeting (RWJ, Chapter 6)
  
- 3) Risk and Return**
  - a. Measures of Risk and Return (RWJ, Chapter 10)
  - b. Diversification and Portfolio Selection (RWJ, Chapter 11)
  - c. Risk, Reward and the Capital Asset Pricing Model (RWJ, Chapter 11)
  - d. Efficient Capital Markets (RWJ, Chapter 14)
  
- 4) Capital Structure and Cost of Capital**
  - a. The Modigliani-Miller Propositions (RWJ, Chapter 16)
  - b. Interaction of Investment and Financing Decisions (RWJ, Chapter 18)

## Tentative Class Schedule

Tuesday	June 21 <sup>st</sup>	Introduction, Mathematics of Present Value (Chapter 4)
Wednesday	June 22 <sup>nd</sup>	Mathematics of Present Value, Interest Rates (Chapter 4, 8)
Thursday	June 23 <sup>rd</sup>	Bond Valuation (Chapter 8)
Tuesday	June 28 <sup>th</sup>	Stock Valuation (Chapter 9)
Wednesday	June 29 <sup>th</sup>	Alternative Investment Criteria (Chapter 5)
Thursday	June 30 <sup>th</sup>	Test #1 (Present Value, Interest Rates, Bonds and Stocks)
Tuesday	July 5 <sup>th</sup>	Net Present Value and Capital Budgeting (Chapter 6)
Wednesday	July 6 <sup>th</sup>	Net Present Value and Capital Budgeting (Chapter 6)
Thursday	July 7 <sup>th</sup>	Measures of Risk and Return (Chapter 10)
Tuesday	July 12 <sup>th</sup>	Diversification and Portfolio Selection (Chapter 10, 11)
Wednesday	July 13 <sup>th</sup>	Risk Reward and the CAPM (Chapter 11)

Thursday	July 14 <sup>th</sup>	Test #2 (Alternative Investment Criteria, NPV, Measures of Risk and Return, Diversification and Portfolio Selection)
Tuesday	July 19 <sup>th</sup>	Risk Reward and the CAPM (Chapter 11)
Wednesday	July 20 <sup>th</sup>	Efficient Capital Markets (Chapter 14)
Thursday	July 21 <sup>st</sup>	Capital Structure and Cost of Capital (Chapter 16)
Tuesday	July 26 <sup>th</sup>	Capital Structure and Cost of Capital (Chapter 16)
Wednesday	July 27 <sup>th</sup>	Valuation for the Levered Firm (Chapter 18)
Thursday	July 28 <sup>th</sup>	Test #3 (CAPM, Efficient Markets, Capital Structure and Cost of Capital, Valuation for the Levered Firm)