

Mays Business School at Texas A&M University
FINC 434 (Sections 501 and 502): Managerial Finance I

Fall 2007 Syllabus

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Office Hours: Wednesdays 3:00 PM - 4:30 PM or by appointment

Objective: This course provides an in-depth analysis of the financial environment in which firms raise capital. After a brief review of the basic functioning of debt and equity markets, the course will cover valuation methods for primary, derivative, and real assets, and later on study special topics related to mergers and acquisitions as well as market imperfections caused by the presence of asymmetric information, including principal-agent conflicts, moral hazard, and adverse selection.

Lecture: The class will meet every Monday, Wednesday, and Friday, from 12:40 PM to 1:30 PM for section 501 and 1:50 PM to 2:40 PM for section 502, in room 109 of the Wehner Building. Regular class attendance is required since the exam material strongly emphasizes on the content taught and discussed during each lecture.

In order to better monitor your learning progress, I will be circulating attendance sheets during most, if not all, lectures. If you miss a class, it is your sole responsibility to inquire with a classmate about any class notes/examples which you may have missed and to make up for that material.

Prerequisites: A grade of C or better in FINC 341 is required prior to taking this course. I will also assume that you possess the basic knowledge regarding time value of money and cash flow discounting methods.

Course Material: The textbooks written by (1.A) Scott B. Smart, William L. Megginson, and Lawrence J. Gitman ("Corporate Finance," 2nd Edition, Thomson South-Western, 2006) and by (1.B) Eugene F. Brigham and Phillip R. Daves ("Intermediate Financial Man-

agement,” 9th Edition, Thompson South-Western, 2007) serve as useful references¹ for this course. (2) Craig W. Holden’s workbook (“Excel Modeling in Corporate Finance,” 2nd edition, Pearson Prentice Hall, 2005) can also be an extremely useful tool in helping you understand the dynamics of financial models. Last but not least, I will occasionally distribute (3) additional supporting material (either hardcopy or electronic) as reading assignments throughout the semester.

Grading: The final evaluation for your performance in this course will be based on two midterm exams (30% each) and a comprehensive final examination (40%). Your total percentage grade will be rounded to the nearest hundredths and converted into a letter grade according to the following table:

Percentage Grade	Letter Grade
90.00 and above	A
80.00 - 89.99	B
70.00 - 79.99	C
60.00 - 69.99	D
59.99 and below	F

Prior to being converted into letter grades, the total percentage grades at the end of the semester may be curved upwards if, according to my judgement, the overall class average is not sufficiently high. The curving procedure involves changing the mean and possibly the standard deviation of the overall grade distribution. No additional curving will be performed on the final letter grades.

It is very important to note that although attendance does not explicitly count towards your grade, it will serve as a proxy for me to observe your learning effort, in which I reference to when determining your curve privileges, if such a curve is indeed necessary.

All exams are closed-book. The midterm exams are not cumulative, while the final exam is, but with more weight being placed on the material covered since the second midterm. You are allowed to use a financial calculator during exams, any financial calculator will suffice, but you are responsible for understanding how to operate it.²

¹For simplicity, I will refer to these books as “SMG” and “BD” for the remainder of the syllabus.

²It is important that you know how to operate your calculator prior to exams, since calculator manuals are not classified as authorized references for examinations.

You are required to take the exams during the time periods corresponding to the section for which you are registered. If you miss any exam, you will receive a grade of zero for that exam, unless your absence is excused. If your exam absence is excused, you must take a make-up exam within 7 days after the end of the condition that prevented you from taking the regular exam.

Exam absences may be excused only due to a valid medical reason, a religious holiday, or an extraordinary circumstance³. These excuses must be received at least 24 hours prior to an exam for any absence not related to medical emergency. A valid medical reason is documented through a certificate from a licensed physician that clearly states that you were unable to take the exam at a given date and time, or that you were unable to study for the exam for at least 72 hours prior to the exam.

Withdrawal Policy: The last day to drop a course with no penalty (Q-drop) and receive a “Q” grade is November 2, 2007.

Contractual Nature of the Syllabus: Your enrollment and continuous participation in this course constitute implicit agreement to the terms of this syllabus. This means, among others, that you cannot request a grade change at the end of the semester on the basis that the syllabus was “unfair” or “unclear.” If you have questions or concerns regarding the syllabus, you must make them in writing by September 7, 2007.

Grade Reviews: Academic judgments are not subject to appeal. I will not change your grade unless there is clear evidence that a procedural or administrative error was made. If you think that you are entitled to a review of your grade on an exam, you must apply in writing to me within one week from the date that the exam is returned. If you are unsatisfied with my decision, you may appeal to the Head of the Finance Department.

Incomplete Grades: Incomplete “I” grades will be given only if you have an excused absence from the final exam and must retake that exam at a latter date.

Under no circumstance will “I” grades be given to students who simply wish to drop the course for academic reasons. Such students will receive a “Q” grade, but only if they drop the course before the Q-drop deadline. After the deadline, you must take the final exam at

³An extraordinary circumstance is a rare, urgent, or substantiated non-academic reason. Convenience of the student or the necessity of additional preparation time for an exam is not an extraordinary circumstance. In all cases, you must contact me as soon as possible.

the regularly scheduled date or at latter date if you have an excused absence. If you do not take the final exam, you will receive a grade of zero for that exam.

Academic Integrity Statement: You are expected to uphold the Aggie Honor Code: “An Aggie does not lie, cheat, or steal or tolerate those who do.”

Upon accepting admission to Texas A&M University, you immediately assumed a commitment to uphold the Honor Code, to accept responsibility for learning, and to follow the philosophy and rules of the Honor System. Ignorance of the rules does not exclude you from the requirements or the processes of the Honor system.

On all examinations for this course, you will be asked to sign the following Honor Pledge: “On my honor, as an Aggie, I have neither given nor received unauthorized aid on this academic work.”

For additional information please visit <http://www.tamu.edu/aggiehonor/>.

Food & Beverage Policy of Mays Business School: We have beautiful and state-of-the-art classrooms in the Wehner Building and Cox Hall. We want to maintain the high quality of these classrooms for the students in future years. Thus, it is necessary for you to adhere to the established policy of no beverages, food, tobacco products, or animals (unless approved) within the Wehner Building and Cox Hall classrooms. Your assistance is greatly appreciated.

Accommodations for Disability: The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities.

If you have specific, diagnosed disabilities that require reasonable accommodations to the learning environment, please let me know very early in the term so that we can work to accommodate you. You should also contact the Department of Student Life, Services for Students with Disabilities in Room 126 of the Koldus Building or call 979-845-1637.

Calendar⁴:

WEEK	DATE	TOPIC	SMG	BD
1	08/27-08/31	Course Introduction and Fundamental Concepts	1,3	1
2	09/03-09/07	Primary Securities	4	4,5
3	09/10-09/12	Financial Risk & Return	5,6	2,3
	09/14	Investment Banking	-	-
		Guest Speakers: Reina, Briscoe, and Geeslin Banc of America Securities		
4	09/17-09/21	Derivative Securities	18,19	6
5	09/24	Review Session I	-	-
	09/26	Q&A	-	-
	09/28	Exam I	-	-
6	10/01-10/05	Market Efficiency & Bubbles	10	-
7	10/08-10/12	Capital Budgeting, Cost of Capital, & Valuation	7,8,9	10,11,12,13
8	10/15	Capital Budgeting, Cost of Capital, & Valuation	7,8,9	10,11,12,13
	10/17-10/19	Information Asymmetry	-	-
9	10/22	Review Session II	-	-
	10/24	Q&A	-	-
	10/26	Exam II	-	-
10	10/29-11/02	Corporate Governance	11	-
11	11/05-11/09	Capital Structure	12,13,14	15,16
12	11/12-11/16	Mergers and Acquisitions	24	26
13	11/19	Mergers and Acquisitions	24	26
	11/21	Risk Management	21	24
	11/23	Thanksgiving Holiday	-	-
14	11/26-11/30	Risk Management	21	24
15	12/03	Review Session III	-	-
16		Final Exam		
	12/10	Section 501 (10:30 AM - 12:30 PM)	-	-
	12/11	Section 502 (3:30 PM - 5:30 PM)	-	-

As stated in footnote 1, the abbreviations “SMG” and “BD” in the above table represent numbers for the relevant chapters in (1.A) Smart, Megginson, and Gitman’s and (1.B) Brigham and Daves’ books, respectively. Please keep in mind that these textbooks serve only as useful references for this course and not substitutes for lectures, as I will cover material that is not limited to the contents of the books.

⁴Although it is my firm intent to strictly adhere to the schedule, circumstances may dictate slight changes. Should this ever occur, I will update the schedule and distribute a revised version of the syllabus.