



# Carnegie Mellon University

## Heinz College of Information Systems & Public Policy

### **91855 –K: FINANCIAL MANAGEMENT**

#### Course Information for May 2018 Semester

##### **Introduction**

This course focuses on the financial management principles and practical techniques essential for decision-making in for-profit, not-for-profit, and governmental organizations. It is designed for future leaders whose career requiring financial expertise, such as board members, senior executives, finance or management information system managers, member of corporate finance group of a financial institution, or executive of regulatory body. It provides necessary knowledge and skills for making investment, financing, dividend payout, and other finance-related management decisions.

##### **Prerequisites**

- 90711 Empirical Methods for Public Policy and Management, or
- 95796 Statistics For IT Managers AND
- 90724 Financial Analysis, or
- 95715 Financial Accounting, and 95716 Principles of Finance [both]

##### **Course Objectives**

Primary goals: (a) to understand the principles and techniques of financial management; (b) to develop and sharpen analytic abilities in financial management; and (c) to apply the financial management knowledge and practical skills in decision-making process in private corporation as well as not-for-profit and public organizations.

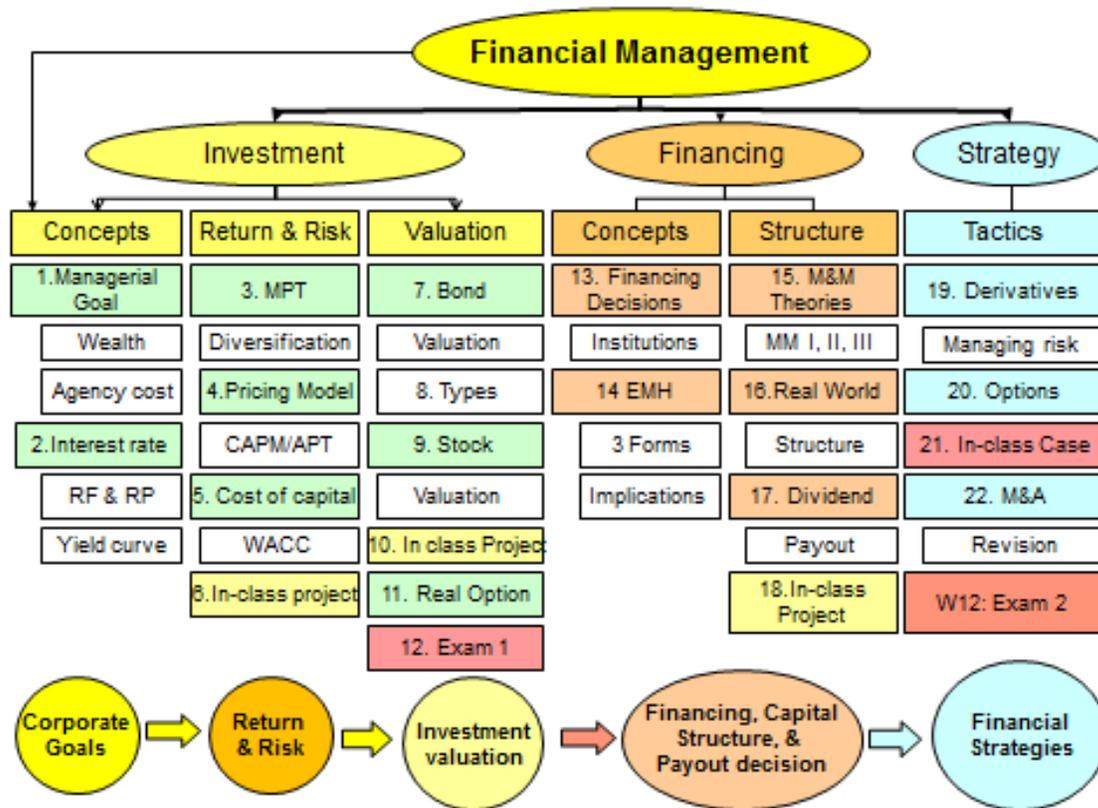
##### **Course Structure**

This course is divided into two modules.

**Module A** – Financial Management & Investment Decisions - focuses on financial concepts and problems, and investment decision-making tools, which include interest rates analysis, Modern Portfolio Theory, asset pricing models, bond and stock valuation, Cost of capital, Project evaluation, and Real Options.

**Module B** – Financing Decision, Dividend Payout Decision, and Special Topics - focuses on financing concepts, theory and practices, dividend payout policy, and other financial strategies. This module covers financing decisions, Efficient Market Hypothesis, Capital structure theories and practices, Dividend payout theories and resolution, Derivatives, Option Pricing Model, as well as Merger and Acquisition decision.

### Course Overview



### Course Instructor and Contact Details

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 Teaching Professor of Finance and Economics  
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 Australia

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 Consultation: Wed from 1.30pm to 3.00pm;  
 Other days by appointment only

**Course Schedule (subject to change if necessary)**

Wk	Date	Day	Time	Topic	Key dates
1	21 May	Mon	1030 – 1150	Corporate goal	
	23 May	Wed	1030 – 1150	Interest rates	
2	28 May	Mon	1030 – 1150	MPT	
	30 May	Wed	1030 – 1150	CAPM	
3	04 Jun	Mon	1030 – 1150	Cost of capital	
	06 Jun	Wed	1030 – 1150	Portfolio Construction	Assignment 1
4	11 Jun	Mon	1030 – 1150	Bond & Stock Valuation	
	13 Jun	Wed	1030 – 1150	Bond & Stock Valuation	
5	18 Jun	Mon	1030 – 1150	Stock Valuation	Assignment 2
	20 Jun	Wed	1030 – 1150	Real Option Analysis	
6	25 Jun	Mon		No class	
	27 Jun	Wed	1030 – 1200	Mid Semester Exam [90 minutes]	MSE
7	01 Jul	Tue	1030 – 1150	Financing decision	
	03 Jul	Thu	1030 – 1150	EMH	
8	08 Jul	Mon	1030 – 1150	Capital Structure Theories	
	10 Jul	Wed	1030 – 1150	Capital Structure: real world	
9	15 Jul	Mon	1030 – 1150	Dividend Policy: Theories & practice	
	17 Jul	Wed	1030 – 1150	Capital structure analysis	Assignment 3
10	22 Jul	Mon	1030 – 1150	Derivatives & risk management	
	24 Jul	Wed	1030 – 1150	Options	
11	29 Jul	Mon	1030 – 1150	OPM	
	31 Jul	Wed	1030 – 1150	Mergers & Acquisitions	Assignment 4
12	05 Aug	Mon	1030 – 1200	Final Examination [90 minutes]	FE

**Core reference books:**

*Fundamentals of Financial Management*, (2009), 12e Eugene F. Brigham and Joel F. Houston, South-Western Cengage Learning

*Modern Financial Management*, (2007), 8e, Ross, Westerfield, Jaffe, and Jordan, McGraw-Hill Irwin

**Review Session & Teaching Assistant:**

To-be-advised (TBA)

**Lecture notes:**

Weekly notes are available during the class and power point file on the Canvas.

**Calculator:**

The recommended brand is Sharp EL-738.

**Course Assessment:**

There are 6 assessments for this course as listed below:

- [1] In-class project: Portfolio construction.
- [2] In-class project: Asset valuation project.
- [3] In class project: capital structure analysis.
- [4] Case study on option pricing model.
- [5] Mid-Term Exam (26 marks) – 90 minutes
- [6] Final Exam (26 marks) – 90-minutes

The original exam answer book will be kept by the instructor. After obtaining your marks for assignments or the final grade, you may request a formal second review of the result via sending an e-mail to the instructor. However, the new and final result may vary depends on the outcome of the second assessment.

Please be informed that any late submission of your work will be subjected to a penalty of five marks per day, unless you have obtained prior approval from the instructor.

Under certain circumstances, you may request to sit the exam separately from the class. Normally, you need a medical certificate or other relevant documents. Work-related reasons will not be considered. However, even though your request is approved, please note that the questions and problems for this exam will be different from those in the scheduled class exam.

Table below shows the distribution of marks across the 6 assessment components:

Assignments & Exams	Scores
Assignment 1	12 marks
Assignment 2	12 marks
Assignment 3	12 marks
Assignment 4	12 marks
Mid-Semester Exam	26 marks
Final Exam	26 marks
<b>Total score:</b>	<b>100 marks</b>

### Guideline for Grading Scale and Score Range:

Grade	Description	Points	Score Range (in marks)
A+	Exceptional	4.33	97 to 100.00
A	Excellent	4.00	93 to 96.99
A-	Very Good	3.67	90 to 92.99
B+	Good	3.33	86 to 89.99
B	Acceptable	3.00	80 to 85.99
B-	Fair	2.67	76 to 79.99
C+	Poor	2.33	70 to 75.99
C	Very Poor	2.00	66 to 69.99
C-	Minimal Passing	1.67	60 to 65.99
R	Fail	0.00	0 to 59.99

The following descriptive statements are guidelines used to grade your assessment components:

- **Grade A+** (Exceptional) Extraordinary piece of work for a graduate student. Work at this level is distinctively outstanding, ultra high level of critical thinking, innovative ideas, crystal clear yet precise explanations with solid justifications and references, extremely sophisticated methodologies with professional level of writing and communication skills. Work is extraordinary; attain the highest academic and professional quality.
- **Grade A** (Excellent) Excellent work of a graduate student. Work at this level is unusually thorough, very high-level of critical thinking, innovative, superior explanations or justifications, very sophisticate methodologies, very well written and superb presentation. Work is of outstanding, professional quality.
- **Grade A-** (Very Good) Strong work for a graduate student. Work at this level shows high-level of critical thinking, some signs of creativity, is thorough and well-reasoned, good presentation, indicates strong understanding of appropriate methodological or analytical approaches, and meet the professional standard.
- **Grade B+** (Good) Competent and sound work for a graduate student; well reasoned and thorough, good presentation, reasonable level of critical thinking, methodologically sound, but not especially creative or insightful or technically sophisticated. This is the graduate student grade that indicates the student has accomplished the objectives of the course, with acceptable professional standard.
- **Grade B** (Acceptable) Fair work for a graduate student. Moderately thorough, some level of critical thinking, well reasoned, demonstrating competency in the key course objectives but showing some indications that understanding of some key issues is less than complete. Methodologically or analytical approaches used are adequate but student has shown one or more weaknesses or limitations.

- **Grade B-** (Fair) Basic work for a graduate student. Meets the basic expectations for a graduate student in the course; low level of critical thinking, understanding of salient issues is somewhat incomplete, methodological or analytical work performed in the course is basic, although adequate.
- **Grade C+** (Poor) Inadequate work for a graduate student; barely meets the basic expectations for a graduate student in the course. Work is inadequately developed or flawed by some errors and misunderstanding of important issues. Methodological or analytical work performed is deficient and barely demonstrates the knowledge or technical competence expected of graduate students.
- **Grade C** (Very Poor) Weak work for a graduate student; hardly meet the basic expectations for a graduate student in the course. Work is very poorly developed or flawed by numerous errors and lack of understanding of important issues. Methodological or analytical work performed is very weak and fails to demonstrate the knowledge or technical competence expected of graduate students.
- **Grade C-** (Minimal Passing) Very weak work for a graduate student; hardly meet the minimal expectations for a graduate student in the course. Work is carelessly developed or full of errors and missing the important issues. Methodological or analytical work performed is mostly wrong and fails to demonstrate the knowledge or technical competence expected of graduate students.
- **Grade D or R** (Fail) Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.
- **Grade I** (Incomplete)

## **Academic Integrity**

The Heinz School takes very seriously its mission to produce graduates who are committed to ethical behavior in all phases of their professional lives. In this regard, the school views any cheating and plagiarism as serious offences. You are required to review thoroughly the material on academic integrity presented in master's program handbooks (<http://www.heinz.cmu.edu/resources/handbooks/msppm.html>) and elsewhere, and to monitor your own actions carefully to prevent even the appearance of violations of academic integrity guidelines. Any violations of academic integrity in this class will have the following consequences: (a) zero mark for assignments; and (b) in more serious offences, failing the class.

You are, however, encouraged to form small study groups to collaborate on assignments. Group collaboration is defined as “group discussions or brain-storming on the issues of an assignment or a case, followed by submission of independent work”. It is wrong for you to submit an assignment in which one or more answers represent the work of other classmates.

## **Course Web Page**

This course has set up the following URL: <http://cmu.edu/canvas> which represents an entrance point to an integrated course management system called Canvas.

All students who are registered for 91-855 may login using their Andrew ID and passwords. After log-in, you will enter a Canvas “homepage” with links to all CMU courses (such as this one) that have developed custom Web pages using Canvas LMS technology. Click on “91855-Financial Management”, and you will be transferred to a Canvas web site for this course.

The site allows you to access a number of resources, including:

- Course syllabus
- Lecture notes in power point file
- Course updates and announcements
- Threaded discussion sections for all course-related issues
- Links to other Internet resources

You should form a habit to check the course web page at least twice a week to stay current with course issues. Please use the on-line help to familiarize yourself with Canvas features.