

Fin 632 Introduction to Financial Decision Making

Lubin School of Business

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Course Description

Fin 632 is an Introduction to Financial Decision Making Course that covers the basic elements of corporate finance and the functioning of financial markets, with a brief overview of investment analysis. The course will cover topics such as financial statement analysis, financial forecasting, the time value of money, valuation of various classes of securities such as bonds and stocks, the estimation and analysis of cash flows in the capital budgeting process, the concepts of risk and return, introduction to investment analysis, asset classes and financial instruments, securities markets, mutual funds and other investment companies, behavioral finance, and time permitting, special projects. Though the course will focus on managerial decision making within the framework of Corporate Finance and Investments Theory, we will also bring in the perspective of the Capital Markets, when necessary.

Course Philosophy

1. To emphasize the pragmatic applications of theory. Dr. Abuaf, a former Chicago academic with 30 years of Wall Street experience will share his experiences with a wide array of his clients, and will encourage students to comment.
2. To emphasize action learning and cross learning from classmates, we will use case studies, and group projects in addition to lectures.
3. To familiarize students with basic economic and financial management concepts.
4. To analyze and discuss current macroeconomic, investments, and corporate finance trends using sound economic and finance theories.
4. To help students synthesize the theory, the empirical evidence, market color and various other constraints in making pragmatic financial management recommendations.
5. **To have fun** by discussing cases, news articles and events.
6. Periodically we shall listen to Bloomberg Radio and watch relevant TV, conference, and video presentations.

Course Requirements

1. **Blackboard.** All course announcements and related materials will be posted on the class website on **Blackboard:** <http://blackboard.pace.edu>. Students are required to periodically check the class announcements and course documents on **the Blackboard.**
2. **Textbook.** The textbook for the course is: Jonathan Berk and Peter DeMarzo, **Corporate Finance (BDM)**, Third Edition, Pearson Prentice Hall, 2011. **ISBN: 978-0-13-299247-3.** Please note that myfinancelab is a requirement for the course. The course id for myfinancelab is **(abuaf10943)**. Instructions on how to register for myfinancelab are listed in a separate document on the BB. A supplementary textbook for the course is **Bodie, Kane Marcus (BKM), Essentials of Investments**, McGraw-Hill, 2013. You do not have to buy this additional textbook.
3. **Calculator and EXCEL.** Any financial calculator. I personally prefer and highly recommend the HP-12C. Purchasing or downloading the HP-12C on your smartphone will make your life considerably easier. It is mandatory that you bring your calculator to class each time.

Alternatively, you could also solve the problems using excel, which I highly recommend. In fact, if you master excel a calculator will not be necessary.

4. **Attendance and Class Participation.** Regular attendance is **mandatory** and is an important requirement for successful performance in this course. You are responsible for knowing what occurs in class which may include material not covered in the readings, modifications to the syllabus and announcements concerning exams, homeworks and quizzes. You will also be expected to actively participate in classroom discussions and answer questions that are posed to you. ***I will maintain the right to downgrade your grade significantly if your class absence exceeds 15% of total class time. This statement supersedes the 10% allocation listed below. Stated differently, a good attendance track record can improve your grade at the margin; a bad attendance track record, however, can pull your grade down to an F.***

5. **Assignments.** The best way to understand the material and prepare for the exams is to do problems. I will give homework problems and later discuss them in class and post written solutions on the Blackboard. You should try to solve the problems in advance, on your own. These assignments will be graded. Please note that the problems are very useful in your preparation for the exams.

6. **Quizzes.** There will be several in class, unannounced quizzes consisting of problems similar to those covered in class and given as homework, and also covering the current events discussed in class. Students could be also asked to explain their homework solutions in class. It is not as important to have a correct solution as it is to demonstrate that you have worked on your homework.

Grades and Grading

Midterm Exam	30%
Final Exam.....	30%
Homeworks and Quizzes.....	30%
Class Participation	10%

Honor Code

You are responsible for maintaining Pace University's code of conduct which mandates zero tolerance for cheating and plagiarism. Violations of the code of conduct will be prosecuted with a minimum penalty of failure for the course, as required by code of conduct rules.

Advice on how to do well in class

Students often ask advice on how to complete this course successfully. My best answer is to follow these steps:

1. Read each assigned chapter before you come to class.
2. Participate actively in the class room (listen carefully to the lecture and ask questions to clarify points of confusion).
3. Follow the problems solved in class and demonstration problems at the end of each chapter.
4. Solve or try to solve as many assigned end-of-chapter problems as possible. This is the best way to judge your understanding of the material and to prepare for exams.
5. Become familiar with your calculator.

6. Read each chapter at least one more time after it is covered in class.

7. Follow the current financial and economic events in the media. Get engaged with what is going on in the political, economic, and financial world around you. Try to read the Wall Street Journal, the New York Times, the Financial Times, Business Week, the Economist, Barron's, and other financial and economic publications. Try to watch Bloomberg TV, or CNBC. Try to listen to Bloomberg radio. Bring your observations and thoughts to class, discuss them with your class mates and your professor.

General Responsibilities

It is your responsibility to read, understand and abide by all of the course information and policies listed below. Failure to do so may result in your failing this course or being withdrawn from the course by your professor.

You are responsible for knowledge of any administrative announcement (test information, schedule changes, etc.) that are made at any time during scheduled class periods.

It is your responsibility to check the appropriate sources to establish the last day to withdraw. Note that a "W" is not automatic. Please check with the Department regarding policies pertaining to a "W," or "WF."

Reasonable Accommodations for Students with Disabilities

The University's commitment to equal educational opportunities for students with disabilities includes providing reasonable accommodations for the needs of students with disabilities. To request an accommodation for a qualifying disability, a student must self-identify and register with the Coordinator of Disability Services for his or her campus. No one, including faculty, is authorized to evaluate the need and arrange for an accommodation except the Coordinator of Disability Services. Moreover, no one, including faculty, is authorized to contact the Coordinator of Disability Services on behalf of a student. For further information, please see Information for Students with Disabilities on the University's web site.

COURSE OUTLINE (*subject to change*)

1. Introduction; Weeks 1 – 2 (BDMCh1-3)

Chapter 1: The Corporation

Chapter 2: Financial Statement Analysis

Chapter 3: Financial Decision Making and the Law of One Price

2. Tools; Weeks 3 – 7 (BDMCh4-7)

Chapter 4: The Time Value of Money

Chapter 5: Interest Rates

Chapter 6: Valuing Bonds

Week 7 : **Midterm Exam**

3. Basic Valuation; Weeks 8 – 9 (BDMCh7-9)

Chapter 7: Investment Decision Rules

Chapter 8: Fundamentals of Capital Budgeting

Chapter 9: Valuing Stocks

4. Risk and Return; Weeks 10 – 11 (BDMCh10-13)

Chapter 10: Capital Markets and the Pricing of Risk

Chapter 11: Optimal Portfolio Choice and the Capital Asset Pricing Model

Chapter 12: Estimating the Cost of Capital

Chapter 13: Investor Behavior and Capital Market Efficiency

**5. Introduction to Financial Markets in Bodie, Kane Marcus (BKM), Essentials of Investments;
Weeks 12-13 (BKMCh1-3)**

Chapter 1. Investments: Background and Issues

Chapter 2. Asset Classes and Financial Instruments

Chapter 3. Securities Markets

Chapter 4. Mutual Funds and Other Investment Companies

Week 14: Final Exam