

## **Course Description: FINA 6A35, “Managerial Finance”**

This is the introductory Finance course. The aim is to acquaint you with fundamental approaches to valuation, focusing on "value" as being determined by (a) future cash flows and (b) the riskiness of these future cash flows. You will learn why this is a good way of thinking about "value", and you will learn how to measure the riskiness of those future cash flows correctly, and how that is incorporated in valuation techniques.

We will talk about bonds and stocks, and their valuation. We will also discuss various capital budgeting techniques, including the NPV ("Net Present Value") approach and learn how to use them to decide whether investments or projects are worth undertaking, or how to choose among several investment opportunities. And we will look at how we can incorporate the riskiness of future cash flows in our valuation technique, including a conceptual (non-technical) introduction to the CAPM (Capital Asset Pricing Model).

We will develop these ideas and tools, and we will apply this knowledge when working on in-class problems and homework assignments. A lot of this work is technical (requiring calculations, usually with spreadsheet software), but it is not technically difficult. Of course, you have to master the techniques. But what makes this material hard is that you must learn to think in terms of cash flows and valuation, and to look at a problem and recognize how valuation helps you structure the information. That takes time and practice.

This course is essential for anyone planning a career in business: You absolutely need to know how to quantify the consequences of alternative decisions, how to measure whether they add or destroy value, and how much. You need to have experience with capital budgeting techniques irrespective of your chosen specialization in business (finance, accounting, marketing, supply chain management, etc.) or industry.

The course achieves two goals: It introduces you to the “finance” way of thinking about problems, which you can develop, expand and deepen in the finance elective courses. And if you plan not to take any additional finance courses, it gives you the basic knowledge that any line manager is expected to have.