

FINA 6A35, Managerial Finance (Prof. Paul Povel)

Syllabus (Spring 2021, First Half-Semester)

Section 01, Wed 6:00pm-9:00pm

Prof. Paul Povel

Course Overview:

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 from several investment opportunities.

We will develop the 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 a lot of it requires that you apply experience and common sense. So "valuation" often seems more like an art than a science. Therefore, I will require that (1) you use the techniques correctly, and that (2) you explain and justify assumptions and non-obvious decisions in your work.

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. These techniques are required for the capital budgeting process at many companies.

Course Outline

The course outline is only **tentative**; depending on the progress that we make, it may change.

<u>Day</u>	<u>Topics covered and to be prepared</u> (numbers refer to sections in the lecture notes)
Week 1: Wed, Jan 20, 2021	1: Overview 2: Time value of money calculations
Week 2: Wed, Jan 27, 2021	2: Time value of money calculations
Week 3: Wed, Feb 03, 2021	2: Time value of money calculations 3: Valuing bonds

Week 4: Wed, Feb 10, 2021	4: Valuing stocks 5: Capital Budgeting Techniques
Week 5: Wed, Feb 17, 2021	5: Capital Budgeting Techniques
Week 6: Wed, Feb 24, 2021	5: Capital Budgeting Techniques
Week 7: Wed, Mar 03, 2021	6: Risk and return; the CAPM model
Week 8: Wed, Mar 10, 2021	Final Exam

Required Knowledge:

Computer skills: This course involves some number-crunching, and spreadsheet software will come in extremely handy. In fact, you will be at a considerable disadvantage if you are not familiar with spreadsheet software. If you do not regularly use spreadsheet software, this is the ideal time to learn how to use it. (In class, I will use *Microsoft Excel*.) Furthermore, you will be required to use the university's "Learning Management Software", BlackBoard (via <https://www.uh.edu/blackboard>), and probably also the university's Respondus Lockdown Browser (for exams; we will look into that later in the course). Finally, the classes will be taught online, using Zoom. See below for more information.

Finance, Accounting: I will assume that you have very limited pre-existing knowledge. Some of you know Finance already, either because you took finance classes before or because you have worked in finance positions. That will help you, but hopefully you will also learn new things in this course, or learn to see things differently. If you don't know much about finance, don't worry, you'll get into it quickly. The important thing is not to let those with pre-existing knowledge do your work for you. In order to learn the material, you must actively engage with it.

Maths: We will not do anything difficult in this course, but it would be good if you are comfortable dealing with numbers and performing simple calculations.

Time and effort: This course requires significant work outside of class. If you cannot make time available each week for reviewing lecture notes and working on problems, you will struggle and get very little out of this course.

Equipment

I will assume that you have access to a computer with spreadsheet software (you have access to Microsoft Office 365 through your @cougarnet.uh.edu account, see [this webpage](#)). I will also assume that you have access to the web, and that you regularly check your email. You will need a sufficiently strong internet connection to use *Zoom*, see [below \(next item\)](#) for more information.

The Bauer webpages include a page with advice on how to [prepare for online courses](#). The university's webpages include a "[planning guide](#)," a collection of [remote-learning resources](#), and information about [technology requirements](#). Please visit these pages, to make sure your equipment satisfies the requirements, that you are able to access all relevant websites, and that all the software you need is installed on your computer.

You will need a calculator during the final exam. A basic scientific calculator that does powers is fine. Large-display calculators with "parentheses" buttons and "back" buttons are helpful. If you have a financial calculator, you can use it in this class (note: a financial calculator is neither required nor recommended).

Zoom Video-Conferencing

We will use the Zoom video-conference platform for all classes. If you do not know how *Zoom* works, don't worry, it's not hard to use as a participant in an online meeting (being a "host" requires more work). The support page is quite useful. The Bauer College maintains a distance-learning support page here, and the university offers information here.

If you have a *Zoom* account already, great! If not, please sign up for an account on their website. You can sign up for a **free** "basic" account at <https://zoom.us/pricing>.

For the online classes using Zoom, please **use a computer**, not a phone or tablet; and please **install the Zoom app**: you will need to participate in our classes while logged into your account on the *Zoom* app. Please make sure that your setup works, and that you know how it works, before our first class. You can join a "test meeting" (with you as the only participant) by visiting this page. You can experiment with someone else, or on your own using your computer and some other device.

To participate in our *Zoom* classes, you will need a *Zoom* link; to get that link, you need to register: please click here to register. Please enter your real first and last name, not some uninformative nickname etc. After you register, you will receive an email with a unique, personal web link that you should use to participate in **all** our classes. (Look for "Join from PC, Mac, Linux, iOS or Android: Click Here to Join"; it will open a webpage, which you can bookmark for repeated use.) Please do not share your individual *Zoom* meeting link with anyone else. The registration confirmation email will also include options to add the classes to your calendar software (Outlook, Google, Yahoo), including links to join each class. Note: you need to click on the "Join From ... Click here to Join" link to join our classes; do not try to register again!

Readings and Other Materials

Required readings (lecture notes) are in the course packet, available as PDF files (for free) from this course's *BlackBoard* page (at <http://www.uh.edu/blackboard>).

The lecture notes have gaps where you should add your own comments, answer questions, take down details of calculations, etc. The lecture notes help me structure the course, and they make your life easier because you do not have to write down everything. They will also make it easier for you to compare your notes with other students', or to ask me clarifying questions.

You should print out the pages and use them to take notes with a pen. Just looking at the lecture notes on a regular screen will not be enough, unless it is a tablet with a digitizer pen that

allows you to write onto the screen (you would need a second computer running *Zoom* to participate in our online classes, in that case).

Additional material will be made available during the semester. It will be downloadable from [BlackBoard](#).

Textbooks: There are three standard MBA textbooks on Corporate Finance, that are used in all good MBA programs. I believe that out of those three, this one is best suited for this introductory course:

- [Principles of Corporate Finance](#), by Richard A. Brealey, Stewart C. Myers, and Franklin Allen, 13th edition, 2019.
Or: buy the [12th edition \(2017\)](#) or the [11th edition \(2014\)](#).

This textbook is usually sold as a package, with access to websites with practice problems or other things included in the package. (Access to online practice problems may be a good idea, but I won't use that feature in this course.) Judging from past experience, the UH bookstore charges high prices for textbooks. You should be able to get this book *much* cheaper if you look for it online.

The authors have made only minor improvements in the past few years. You should be able to save a significant amount of money if you buy a "gently read" copy of the 12th or 11th edition. Note that publishers change ISBN numbers every year, to confuse the second-hand market. So there can be several ISBN numbers for one book, and more for the various packages. Also, international editions of US textbooks can look slightly different (different cover, monochrome print, paperback), but they can be much cheaper. There also exists a loose-leaf version of the book, again, cheaper than the book.

It is a good idea to have a textbook, so you have a second source of information, and, more importantly, so you have additional practice problems (the end-of-chapter problems) to work on and think about. However, I won't insist on you buying a textbook, and I won't assign problems from any textbooks.

We will cover less than half the chapters of this book. However, if you plan to take more corporate finance electives, many of the remaining chapters will be covered there.

There are two alternative, also very good standard corporate finance textbooks:

- [Corporate Finance](#), by Jonathan Berk and Peter DeMarzo, 5th edition, 2020.
Or: buy the [4th edition \(2017\)](#) or the [3rd edition \(2013\)](#).
- [Corporate Finance](#), by Stephen A. Ross, Randolph W. Westerfield, and Jeffrey F. Jaffe, 12th edition (2019).
Or: buy the [11th edition \(2016\)](#) or the [10th edition \(2013\)](#).

Internet sources: In the past, students also tried to find information on the web. That tends to be a bad idea. If you are unsure about something, gathering more information is less useful than

thinking about what exactly is unclear, and why. Often, you will be able to answer your own question very quickly; if not, you can ask me a very precise question. That's "learning". All the information you need is in the course packet and the class notes. You need to "digest" it, and that requires hard work.

Accessibility Statement:

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.

Classes

Class	When	Where
FINA 6A35 Sec 01, Class # 22464	Wed 6:00pm-9:00pm	Online (using Zoom)

All classes will be online, using *Zoom*. Please follow the instructions in this syllabus and any additional instructions that I may send you. Please make every effort to actively participate in these classes and to focus on what is being said (I know it is easy to get distracted during *Zoom* meetings...). I plan to have regular breaks, more than during our usual face-to-face classes. We can discuss the details during our first class.

Class participation is mandatory. The course content is not straightforward to understand and master, so this course will require you to interact with the material. The best way to interact with the material is by participating in class and asking questions whenever they arise. Other students will also benefit if you ask helpful questions. In addition, you should plan to spend time outside of class revising notes and working on practice problems, and if new questions arise, to ask them at the next opportunity.

In case you have to miss an online class, I plan to make *partial recordings* available. But please do not view those recordings as a substitute for attending class.

Classroom Etiquette

The course will be taught online, but I nevertheless expect everyone to follow professional rules of conduct. Any disruptive or otherwise unprofessional behavior will result in disciplinary action.

For the *Zoom* classes, you will be **required** to be logged into your *Zoom* account (I will use "Registration" and "Authentication" requirements). You should use your full name as your displayed name, so we all know who you are if you are saying or messaging something. Please mute your microphone during our classes, and unmute yourself only if you would like to say something. During our classes, your camera should be on.

News

If something should come up (e.g. schedule changes, corrections of materials, announcements, etc.), I will post “announcements” on [BlackBoard](#), and you will receive text-message style emails with the announcements.

Getting in Touch With Me

The easiest way will be to use email: povel@uh.edu.

It is important that you contact me immediately if you are uncertain or worried about your performance: I may be able to give you feedback on your performance, what you can improve, etc. The sooner problems are identified, the better. You will not be able to call my office phone or visit me in my office, since I do not plan to be on campus. If necessary, we can schedule video calls using *Zoom*. [To participate in Zoom office hours, click here.](#)

Teaching Assistant

Teaching Assistant: T.B.C. He/she will assist me in grading homework assignments. He/she will not hold any review or tutoring sessions. If you have questions, ask me.

Homework Assignments

There will be several homework assignments, to be completed independently from other students. The assignments will be made available on [BlackBoard](#). Your answers should consist of spreadsheets that show your calculations and are legible (including legible formulas); where necessary, type text into the spreadsheet (for example, to explain something, or to answer a qualitative question). Upload your spreadsheet on [BlackBoard](#), before the due date and time.

Exams

There will be one final exam. It will be closed-book / closed notes, and I plan to use the [Respondus Lockdown Browser](#) for the exam. However, you are allowed to use a "cheat-sheet" with notes, written on one side of one sheet (8.5"x11"). I regard these "cheat-sheets" as helpful tools for studying: You should carefully put together material that you feel will help you in the exam; that will help you structure the material, recall essential formulas and procedures, etc. You should start working on your "cheat-sheet" from the first class, and you should plan to re-write it often.

You will be using a calculator during the exam, please practice using it to solve problems as we progress through the course, so there are no surprise problems during the final exam. If you decide to use a financial calculator, make sure you know how to operate it; see above, under [Equipment](#). In the exam, you must convince me that you know what you are doing: just writing down a result is not convincing; you should write down both the correct formula and the correct result. If your answer seems unconvincing, you won't get full credit, even if the numbers are right.

Grading

Your performance will add up to an overall score, which will then be translated into a course grade. I grade on a curve, so I cannot tell you ex-ante what the cutoffs for an A, an A-, etc. are going to be. Your overall score is computed as follows:

65%	Individual homework assignments
25%	Final exam
10%	Participation

For the "Participation" score, I will keep track of your class participation. Please take class participation seriously, not only because it affects your grade, but because it helps you learn. The purpose of grading class participation is to encourage you to take active control of your learning: the more involved you get and the better prepared you are, the more you will benefit from this class. (Note, however, that simply taking up "air time" without really making a contribution will not improve your participation score.)

Questions about grading: Requests for a regrade must be made in writing within two weeks of the time the graded work is returned, and must clearly and specifically explain where and why you think you were graded incorrectly.

Counseling and Psychological Services (CAPS)

Counseling and Psychological Services (CAPS) can help students who are having difficulties managing stress, adjusting to the demands of a professional program, or feeling sad and hopeless. You can reach CAPS (uh.edu/caps) by calling 713-743-5454 during and after business hours for routine appointments or if you or someone you know is in crisis. Also, there is no appointment necessary for the "Let's Talk" program, which is a drop-in consultation service at convenient locations and hours around campus (uh.edu/caps/outreach/lets_talk.html).

Academic Misconduct

Academic Honesty: The University of Houston's Academic Honesty Policy is strictly enforced by the Bauer College and by this professor. A discussion of the policy is included in the UH Student Handbook, <http://www.uh.edu/dos/studenthandbook/>. It is your responsibility to fully understand and comply with all principles contained within this Handbook. Please make sure you understand this policy and in particular, you understand the meaning of plagiarism.

University of Houston Syllabus Information

Excused Absence Policy

Regular class attendance, participation, and engagement in coursework are important contributors to student success. Absences may be excused as provided in the University of Houston [Undergraduate Excused Absence Policy](#) and [Graduate Excused Absence Policy](#) for reasons including: medical illness of student or close relative, death of a close family member,

legal or government proceeding that a student is obligated to attend, recognized professional and educational activities where the student is presenting, and University-sponsored activity or athletic competition. Additional policies address absences related to [military service](#), [religious holy days](#), [pregnancy and related conditions](#), and [disability](#).

Recording of Class

Students may not record all or part of class, livestream all or part of class, or make/distribute screen captures, without advanced written consent of the instructor. If you have or think you may have a disability such that you need to record class-related activities, please contact the [Center for Students with DisABILITIES](#). If you have an accommodation to record class-related activities, those recordings may not be shared with any other student, whether in this course or not, or with any other person or on any other platform. Classes may be recorded by the instructor. Students may use instructor's recordings for their own studying and notetaking. Instructor's recordings are not authorized to be shared with anyone without the prior written approval of the instructor. Failure to comply with requirements regarding recordings will result in a disciplinary referral to the Dean of Students Office and may result in disciplinary action.

Syllabus Changes

Due to the changing nature of the COVID-19 pandemic, please note that the instructor may need to make modifications to the course syllabus and may do so at any time. Notice of such changes will be announced as quickly as possible through BlackBoard.

Resources for Online Learning

The University of Houston is committed to student success, and provides information to optimize the online learning experience through our [Power-On](#) website. Please visit this website for a comprehensive set of resources, tools, and tips including: obtaining access to the internet, AccessUH, and Blackboard; requesting a laptop through the Laptop Loaner Program; using your smartphone as a webcam; and downloading Microsoft Office 365 at no cost. For questions or assistance contact UHOnline@uh.edu.

UH Email

Email communications related to this course will be sent to your [Exchange email account](#) which each University of Houston student receives. The Exchange mail server can be accessed via Outlook, which provides a single location for organizing and managing day-to-day information, from email and calendars to contacts and task lists. Exchange email accounts can be accessed by logging into Office 365 with your Cougarnet credentials or through Access UH. They can also be configured on [IOS](#) and [Android](#) mobile devices. Additional assistance can be found at the [Get Help](#) page.

Webcams

Access to a webcam is required for students participating remotely in this course. Webcams must be turned on during class discussions and during exams (to ensure the academic integrity of exam administration).

Honor Code Statement

Students may be asked to sign an honor code statement as part of their submission of any graded work including but not limited to projects, quizzes, and exams: "I understand and agree to abide by the provisions in the [University of Houston Graduate Academic Honesty Policy](#). I understand that academic honesty is taken very seriously and, in the cases of violations, penalties may include suspension or expulsion from the University of Houston."

Course Delivery Formats and Final Exams

This course is being offered in the Synchronous Online format. Synchronous online class meetings will take place according to the class schedule. There is no face-to-face component to this course. In between synchronous class meetings, there may also be asynchronous activities to complete (e.g., discussion forums and assignments). This course will have a final exam. The exam will be delivered in the synchronous online format, and the specified date and time will be announced during the course. Prior to the exam, descriptive information, such as the number and types of exam questions, resources and collaborations that are allowed and disallowed in the process of completing the exam, and procedures to follow if connectivity or other resource obstacles are encountered during the exam period, may be provided.

Helpful Information

- COVID-19 Updates: <https://uh.edu/covid-19/>
- Coogs Care: <https://www.uh.edu/dsaes/coogscare/>
- Laptop Checkout Requests: <https://www.uh.edu/infotech/about/planning/off-campus/index.php#do-you-need-a-laptop>
- Health FAQs: <https://uh.edu/covid-19/faq/health-wellness-prevention-faqs/>
- Student Health Center: <https://uh.edu/class/english/lcc/current-students/student-health-center/index.php>