Finance 401  
Advanced Financial Management

The primary focus of this course is advanced financial management. Topics to be covered include time value of money, discounted cash flow, taxes and capital investment, risk analysis, the Capital Asset Pricing Model, capital structure theory, the relationship between leverage and risk, information asymmetries, agency problems, and financial options.

Course prerequisite: FNAN 301


It is also recommended that you start reading The Wall Street Journal on a regular basis. In addition, during the term you may be asked to read certain articles in current business periodicals (e.g., Fortune, Business Week).

General Course Outline:
Introduction and Financial Statements  
Time Value of Money  
Security Valuation  
Principles of Capital Budgeting  
Portfolio Theory  
Financial Planning  
Capital Structure Decisions  
Dividend Policy  
Financial Options

Learning Goals:

Upon successful completion of this course, you will be able to:
1. Value complex projects, assets and securities.  
2. Demonstrate, evaluate, and explain the risk return trade-offs in finance.  
3. Conduct a financial analysis of a firm using financial statements.  
4. Recognize and understand how to address ethical issues in finance including agency problems.

Course Requirements and Grading:

Specific week-by-week assignments are on the attached page. While we may deviate slightly from this schedule, it provides the basic structure for the course. Course prerequisite: FNAN 301

During the term, you will be evaluated on the basis of class participation/attendance, graded homework assignments, two mid-term exams, two case analyses, and a final exam. Some of the assignments may require use of a spreadsheet program such as Excel. All assignments must be turned in on the date due, and must be original work. You are expected to adhere to the Honor Code. No late assignments will be accepted.
1. Class Participation/Attendance/Conduct: You should attend class on a regular basis and contribute to class discussions. At the beginning of the semester, a seating chart will be distributed, and assigned seats will be established. If you are not present at the beginning of a class, you will be considered absent for that day. Also, please inform me before class begins if you will need to leave before the scheduled end of the class period. Finally, using laptop computers (or cell phones) during class time to surf the internet, send emails, etc., is not appropriate class conduct. If laptops/cellphones are used inappropriately, they will be banned from class.

2. Homework: There will be graded homework assignments during the term (I will post them on Blackboard). You may work with others when solving the problems, although each student must submit his/her own set of solutions for grading. In addition, non-graded end-of-chapter problems may be assigned to stimulate class discussions.

3. Midterm Exams: There will be two equally-weighted midterm exams during the term. Midterm exam make-up policy: If, for a valid reason (medical emergency, death in the family, etc.), you are unable to take a midterm exam, your grade on the (comprehensive) final exam serve as a substitute for the missed midterm exam grade.

4. Case Analyses: Two (well) written case analyses (20% of grade) and one case analysis presentation (5% of grade) will be required. Case groups will be formed at the beginning of the semester. A "peer evaluation" form will be attached to the final exam to allow students to rate the relative contribution of each group member. These ratings will be utilized when determining your overall case analyses grade. Group case analyses must be original work; students are expected to adhere to the Honor Code. On the day each case analysis is due, your group must email me a copy of your analysis (prior to class) and also bring a hard copy of your analysis to submit in class.

5. Final Exam: A comprehensive final exam will be given at the end of the term.

Grade Determination (using the +/- system):

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Class Participation/Attendance</td>
<td>5%</td>
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<tr>
<td>Graded Homework</td>
<td>10%</td>
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<tr>
<td>Midterm Exams (equally weighted)</td>
<td>30%</td>
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<tr>
<td>Case Analyses</td>
<td>25%</td>
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<tr>
<td>Final Exam**</td>
<td>30%</td>
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**note:** if a student’s grade on the final exam is higher than the average of their grades on the midterm exams, the final exam will be given a weight of 35% and the midterm exams will be given a weight of 25%.

Instructor and Office Hours:
Stephen E. Christophe, Ph.D., schristo@gmu.edu
Office Location: Enterprise 239
Office Hours: By appointment
Office Phone: (703) 993-1767
Course Website: N/A
Calculators: For this course you will need a financial calculator capable of performing present value/future value-type analysis. For example, the Texas Instruments BA II Plus calculator meets these criteria. Many other calculators are also suitable.

DRC Statement: If you are a student with a disability and you need academic accommodations, please see the instructor and contact the Disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through the DRC.

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<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Assignment</th>
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<tbody>
<tr>
<td>Jan 20</td>
<td>Introduction, Principles of Finance</td>
<td>RWJ Ch. 1, 2</td>
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<tr>
<td>Jan 22, 27</td>
<td>Time Value of Money, NPV</td>
<td>RWJ Ch. 4</td>
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<tr>
<td>Jan 29, Feb 3, 5</td>
<td>Valuing Bonds and Stocks</td>
<td>RWJ Ch. 8, 9 (Ch. 15, 20 optional)</td>
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<td>Feb 10</td>
<td>Evaluating Capital Budgeting Projects</td>
<td>RWJ Ch. 5</td>
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<td>Feb 12, 17</td>
<td>Capital Budgeting Techniques</td>
<td>RWJ Ch. 6</td>
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<td>Feb 19</td>
<td>Midterm Exam #1</td>
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<tr>
<td>Feb 24</td>
<td>Capital Budgeting Techniques, cont’d</td>
<td>RWJ Ch. 6</td>
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<td>Feb 26</td>
<td>Capital Market History/Portfolio Theory</td>
<td>RWJ Ch. 10</td>
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<td>Mar 3</td>
<td>Case Discussion: Victoria Chemicals PLC (A): The Merseyside Project. Case Write-up Due. Purchase case at <a href="https://store.darden.virginia.edu/">https://store.darden.virginia.edu/</a></td>
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<tr>
<td>Mar 5, 17, 19</td>
<td>Portfolio Theory/The CAPM</td>
<td>Ch. 11</td>
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<td>Mar 24, 26</td>
<td>Cost of Capital Estimation</td>
<td>RWJ Ch. 13</td>
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<td>Mar 31</td>
<td>Capital Structure Theory</td>
<td>RWJ Ch. 16, 17</td>
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<td>Apr 2</td>
<td>Case Discussion: Nike Inc.: Cost of Capital. Case Write-up Due. Purchase case at: <a href="https://store.darden.virginia.edu/">https://store.darden.virginia.edu/</a></td>
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<td>Apr 7</td>
<td>Capital Structure Theory, cont’d</td>
<td>RWJ Ch. 16, 17</td>
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<td>Apr 9</td>
<td>Efficient Capital Markets</td>
<td>RWJ Ch. 15</td>
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<td>Apr 14</td>
<td>Midterm Exam #2</td>
<td>RWJ Ch. 19</td>
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<td>Apr 16, 21</td>
<td>Dividend Policy</td>
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<td>Apr 23, 28</td>
<td>Options</td>
<td>RWJ Ch. 22</td>
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Case Discussion – No Write-up Due.

In-class Discussion - No Write-up Due.

Purchase case at: [http://hbr.org/product/dividend-policy-at-fpl-group-inc-a/an/295059-PDF-ENG?Ntt=dividend%2520policy%2520at%2520fpl](http://hbr.org/product/dividend-policy-at-fpl-group-inc-a/an/295059-PDF-ENG?Ntt=dividend%2520policy%2520at%2520fpl)
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<th>Date</th>
<th>Event</th>
<th>Details</th>
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<tr>
<td>Apr 30</td>
<td>Special Topics, Review</td>
<td>TBA</td>
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<tr>
<td>May 7</td>
<td>Final Exam</td>
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