George Mason University  
School of Management  
MBA 643  
Managerial Finance

Instructor: Professor Stephen E. Christophe, Ph.D., ENT 239, (703) 993-1767, schristo@gmu.edu

This course addresses the theory and practice of financial management. We will focus on the following principal objectives:

1. To provide a solid grounding in some of the basic concepts in finance including the time value of money, project analysis, portfolio theory, asset pricing, and the risk-return tradeoff;
2. To establish a "finance mind-set" that views finance as applied microeconomic within a business context, with value creation as the central concept; and
3. To develop skills for financial analysis, planning and decision-making.

- Although most of the course material concerns private-sector firms, the basic concepts and techniques are also appropriate for decision-making in other types of organizations.

- Class meetings will be conducted using a combination of lecture and case discussion. Each member of the class is expected to prepare thoroughly for each session, and to participate actively in class discussions.

- Grading will be based upon class participation (10%), graded problem set assignments (20%), case assignments (25%), a midterm exam (20%), and a (comprehensive) final exam (25%). All assignments must be submitted (hard copy, in class) on the dates specified. Late submissions will not be accepted.

- Group case analyses must be original work; students are expected to adhere to the Honor Code. If you are unsure, or have questions, about what constitutes an Honor Code violation, please do not hesitate to ask. A Peer Evaluation Form will be distributed at the end of the semester for rating case group members. Ratings will be incorporated when determining final case assignment grades. On the date each case assignment is due, your group should email me a copy of your analysis. In addition, you should bring a hard copy of your analysis to class for submission (the hard copy submission will be graded and returned).

- You should obtain a financial calculator capable of performing present value/future value calculations. The Texas Instruments BA II Plus meets these criteria. Many other calculators are also suitable.

Course Materials

Other Recommended Reading
The Wall Street Journal, Business Week, Fortune, Forbes, Barons, etc.
Recommended Reference Books
Brealy and Myers, *Principles of Corporate Finance.*

Learning Goals:

Upon successful completion of this course, you will be able to:
1. Value complex projects, assets and securities.
2. 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.

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.

Session Meetings

8/28 Introduction/Time Value of Money
Read Chs. 1, 4
Suggested problems for extra practice (optional): Ch 4: 8, 10, 26, 29, 33, 45, 46, 52, 55, 67, 71

9/4 Time Value of Money, cont’d/Valuing Financial Assets: Bond and Common Stock Valuation Models
Read Chs. 8, 9

Problem Set 1 Due
For supplemental reading on bond and stock characteristics, read Chs. 15, 20.
Suggested problems for extra practice (optional): Ch 8: 1, 2, 6, 14, 25, 26, and Ch9: 2, 5, 7, 13, 23, 31

9/11 Capital Market History/Introduction to Portfolio Theory
Read Chs. 10, 11

Problem Set 2 Due
Suggested problems for extra practice (optional): Ch 11: 3, 6, 8
9/18  The Capital Asset Pricing Model (CAPM)/Capital Market Efficiency

Read Ch. 11 and Appendix 11A (http://highered.mcgraw-hill.com/sites/dl/free/0073382337/792585/ros82337_app11A.pdf) and Ch. 14

**Problem Set 3 Due**

Suggested problems for extra practice (optional): Ch 11: 11, 13, 23, 25, 27, 29, 34, 36

9/25  Evaluating Capital Budgeting Projects/Capital Budgeting Techniques

Read Chs. 5, 6

Suggested problems for extra practice (optional): Ch 5: 1, 5, 10, 11, 14, 23, and Ch 6: 7, 9, 12, 23, 26, 27, 28

**Problem Set 4 Due**

10/2  Capital Budgeting Techniques, cont’d/Review for Midterm Exam

Read Ch. 6

10/16  **Midterm Exam**

10/23  Capital Budgeting, cont’d/Cost of Capital Estimation

Read Chs. 13

Suggested problems for extra practice (optional): Ch 13: 3, 8, 11, 14

10/30  Capital Budgeting, wrap-up/Capital Structure Theory

Read Chs. 16, 17

**Case Analysis:** Victoria Chemicals PLC (A): The Merseyside Project.
Purchase case at: https://store.darden.virginia.edu

Suggested problems for extra practice (optional): Ch 16: 14, 17, 23, and Ch 17: 1, 3, 7, 8
11/6  Cost of Capital, wrap-up/Capital Structure Theory, cont’d/Capital Budgeting for the Levered Firm/Dividend Policy

Read Chs. 18, 19

**Case Analysis: Nike, Inc. Cost of Capital.** Purchase case at:
https://store.darden.virginia.edu

Suggested problems for extra practice (optional): Ch 19: 4, 7, 14

11/13  Dividend Policy, cont’d/Options

Read Chs. 19, 22 (pp. 676 – 698)

Suggested problems for extra practice (optional): Ch 22: 3, 6, 10

11/20  Options, cont’d/Hedging Risk with Forwards, Futures, Options and Swaps

Read Ch 25 (pp. 763 – 771, 784 – 790)

Read “*A Primer on Currency Derivatives*” available at:

**Case Analysis: Dividend Policy at FPL Group.** Purchase case at:  http://hbr.org/store

Suggested problems for extra practice (optional): Ch 25: 3, 4, 15

11/27  Hedging Risk, cont’d

12/4  Hedging Risk, wrap-up/Special Topics/Course Review

**Case Analysis: Merton Electronics.** Purchase case at:  http://www.ecch.com/students

12/11  Final Exam