

Arizona State University  
W.P. Carey School of Business  
FIN 361 – Advanced Managerial Finance  
Spring 2015

Instructor: Ilona Babenko  
Department of Finance  
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Web: Blackboard

Time: Mon, Wed 1:30 - 2:45 pm  
Dates: Jan 12-Apr 29, 2015  
Classroom: Tempe BA 258  
TA: Fangfang Du  
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**Course Objectives:** FIN 361 covers variety of topics in managerial finance, with the focus on optimal corporate financial decisions. Lectures and readings will provide an introduction to present value techniques; basics of financial statements and cash flow calculation; alternative investment rules; project evaluation using weighted-average cost of capital and adjusted present value methods; real options; capital structure; bankruptcy and financial distress.

The Undergraduate Program of the W.P. Carey School of Business has established the following learning goals for its graduates: Critical Thinking, Discipline Specific Knowledge, and Global Awareness

**Prerequisites:** I will assume that you are familiar with Excel spreadsheets.

**Textbook:** “Corporate Finance,” third edition, by Jonathan Berk and Peter DeMarzo

**Grading Policy:** Your grade will be calculated as the higher of the two weighting schemes:

Problem Sets (7): 14%	Problem Sets (7): 14%
Cases (2): 10%	Cases (2): 10%
Class Participation: 1%	Class Participation: 1%
Midterms (2): 45%	Midterms (2): 35%
Final Exam: 30%	Final Exam: 40%

*Problem Sets:* The problem sets will typically be assigned one week in advance. The problem sets can be discussed with other students but have to be written and submitted individually. Each problem set will be worth 2% of your final grade (with seven problems sets in total). Working on these problem sets will help you to understand the class material better and will give you a solid preparation for the final exam. A hard copy of your solution (clearly indicating your student number and the student name in the upper right corner) has to be handed in at the beginning of class on the due dates. All pages have to be stapled together. No electronic submissions will be accepted.

*Case Write-Ups:* There will be a total of two cases assigned (each worth 5% of your grade). You can work on cases in groups of 4-5 people. Case write-ups have to be turned in at the beginning of each class at the due dates (please try to limit to maximum 5 pages, not counting exhibits). Late submissions will not be graded. You should be ready to present your case solution in class in a 15-minute presentation. We will draw one or two groups at random to do their presentations. At the end of the course, you will assess your group members on the contribution they made to the group assignments. Your group members' assessment of your contribution will affect your case grade. Two cases cost together \$7.90. Here is a link where you can purchase the cases at this discounted rate:

<https://cb.hbsp.harvard.edu/cbmp/access/32205349>

*Midterms and Final Exams:* The midterm and final exams are closed book exams but I will provide you with a cheat sheet that will contain all necessary formulas or you can write your own one-page one-sided formula list. I will give you the cheat sheet couple of days before the exam so that you can familiarize yourself with the layout. You will need a simple calculator for the exam (financial calculators are allowed as well, but not required). You cannot take the final exam early and there will be NO MAKEUP exam for those who miss it, except under some exceptional circumstances and with the 3<sup>rd</sup> party documentation.

*Class Participation and Attendance:* Your class participation will count 1% towards your final grade. An important pre-requisite for getting participation points is attending the class. You cannot participate if you are frequently absent. You can contribute by asking questions in class and by answering the questions I pose in class. No matter how basic the question, it will not lower your participation grade. However, I advise you not to ask repeatedly questions regarding what will be covered on exams as it may count negatively towards your participation grade. Unless I inform you otherwise, you should assume that everything we cover in class and in the assigned readings, as well as material in homework assignments and cases is fair game on exams.

Please be on-time for the class. Coming to class late will lower your participation grade and I may call you more frequently to answer the questions in class. Also, please switch off your cell-phones completely for the class time. It is very disruptive for the whole class and disrespectful to your classmates when your phone rings during the lecture.

### **Teaching Assistant**

Teaching assistant for this course is Fangfang Du. Her Email is [Fangfang.Du@asu.edu](mailto:Fangfang.Du@asu.edu) . Fangfang will hold office hours by and will answer some of the questions via E-mail.

### **Administrative Information**

*Instructor office hours:* I will hold office hours on Tuesdays 1:00-2:30 pm in BAC 540.

*TA office hours:* Tuesday and Thursday 11-12 pm in BAC 521 or BAC 554.

*Name Cards:* I would like you to have your name cards in front of your seat each time you come to class. Please be attentive during the class, occasionally I will use cold calling using your name. The goal is to encourage students' participation, not to intimidate them, so please do not feel embarrassed if you do not know the correct answer as it is part of learning.

*Email-List:* Occasionally, we will send E-mails to the class E-mail list. If you are registered for this course, you should be automatically on the list. The E-mail should go to your ASU e-mail account.

*Class Webpage:* I will post important class information and materials, including lecture notes, problem sets, solutions, handouts, etc. on the Blackboard. To access Blackboard it is important that you get an ASURITE ID and a password.

*Class Schedule:* Class layout schedule is tentative and is likely to change during the semester to adjust to the overall class preparation and comfortable speed. If any changes to the schedule or assignment due dates are made, I will make announcements in class and through Blackboard.

*Academic Integrity:* Any student caught cheating will receive a grade of zero for that exam and/or an F for the course. Please familiarize yourself with ASU's academic integrity policies:

<https://provost.asu.edu/sites/default/files/AcademicIntegrityPolicyPDF.pdf>

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**Course Outline (subject to change)**

<b>Week</b>	<b>Date</b>	<b>Topic</b>	<b>Reading</b>	<b>Assignments</b>
1	Jan 12 M	Overview and Objectives of the Firm	BD Ch 1	
1	Jan 14 W	Financial Statements	BD Ch 2	
2	Jan 19 M	No Class (Martin Luther King)		
2	Jan 21 W	Extracting Cash Flows from Financial Statements		
3	Jan 26 M	Time Value of Money (NPV rule)	BD Ch 3, 4	PS 1 Due
3	Jan 28 W	Determinants of Interest Rates	BD Ch 5	
4	Feb 2 M	Applications of NPV: Valuing Bonds	BD Ch 6	
4	Feb 4 W	Applications of NPV: Valuing Stocks	BD Ch 9	PS 2 Due
5	Feb 9 M	Basics of Capital Budgeting	BD Ch 8	
5	Feb 11 W	Alternative Investment Rules	BD Ch 7	
6	Feb 16 M	Case 1: Ocean Carriers		Case Due

6	Feb 18 W	Capital Markets and the Pricing of Risk	BD Ch 10	
7	Feb 23 M	Review		PS 3 Due
<b>7</b>	<b>Feb 25 W</b>	<b>Midterm 1</b>		<b>Midterm</b>
8	Mar 2 M	Optimal Portfolio Choice and Capital Asset Pricing Model	BD Ch 11	
8	Mar 4 W	Optimal Portfolio Choice and Capital Asset Pricing Model	BD Ch 11	
<b>9</b>	<b>Mar 9 M</b>	<b>No class (Spring Break)</b>		
<b>9</b>	<b>Mar 11 W</b>	<b>No class (Spring Break)</b>		
10	Mar 16 M	Investor Behavior and Capital Market Efficiency	BD Ch 13	PS 4 Due
10	Mar 18 W	Estimating the Cost of Capital	BD Ch 18	
11	Mar 23 M	Capital Budgeting with Risk: Weighted Average Cost of Capital (WACC)	BD Ch 18	
11	Mar 25 W	Capital Budgeting with Risk: Adjusted Present Value (APV)	BD Ch 19	
12	Mar 30 M	Review		PS 5 Due
<b>12</b>	<b>Apr 1 W</b>	<b>Midterm 2</b>		<b>Midterm</b>
13	Apr 6 M	Capital Budgeting with Risk: Real Options		
13	Apr 8 W	Real options	BD Ch 22	
14	Apr 13 M	Real options		
14	Apr 15 W	Introduction to Capital Structure; Capital Structure and Tax	BD Ch 14	
15	Apr 20 M	Capital Structure and Bankruptcy	BD Ch 15	PS 6 Due
<b>15</b>	<b>Apr 22 W</b>	<b>Case 2: Arundel Partners</b>		<b>Case Due</b>
16	Apr 27 M	Capital Structure and Agency Costs	BD Ch 16	
16	Apr 29 W	Review		PS 7 Due
<b>17</b>	<b>May 4 M</b>	<b>FINAL EXAM 12:10 - 2:00 PM</b>		<b>Final Exam</b>