

Eastern Michigan University
College of Business
Department of Accounting and Finance

FIN 450
Problems in Financial Management
Generic

Catalog course description

This course deals with application of financial management theory. Emphasis is placed on problem solving in differing economic and situational environments using various quantitative tools. Case analysis and class discussions are emphasized. Prerequisites: FIN 359 and FIN 360.

College of Business Mission Statement

To support the economic development of Southeastern Michigan by preparing graduates to perform effectively in an “information age” business environment that is being shaped by a global economy AND by helping business leaders understand and address the forces shaping their environments as they create and recreate businesses.

Course Requirements

This course uses the case method approach to instruction exclusively. Students work in teams to prepare assigned cases for classroom presentation. It is encouraged and expected that students will interact extensively with other team members outside of the classroom. The benefit from such interaction is to develop team spirit and to become familiar with the communication processes operative in a small work team.

Students will also prepare a number of written case assignments individually and one with their team. This work is designed to help students learn to write organized, well-researched, and analyzed reports. This exercise also forces students to make recommendations on specific problems and forces them to be able to defend their positions verbally in front of peers.

Students also are expected to participate in classroom discussions in order to practice appropriate challenges to other students’ points of view, as well as to express their own opinions. They learn that there are often many ways of analyzing issues and other alternative solutions exist to financial problems. Students learn to evaluate the risks involved in assessing various alternatives involved in decision-making.

All students will present to the class with their team ONE major case analysis. Oral and visual presentation skills are emphasized.

Using the Case Method

Cases are designed to provide a basis for class discussion. They are not intended to illustrate correct or incorrect solutions to management problems. Case problems confront students with the necessity of making decisions. Students must actually think the problem through to a decision, explain their analyses to classmates, and defend their ideas. The cases used in FIN 450 present business situations that pose debatable alternative courses of action, that contain problems that can be narrowed but not resolved by the usual techniques of financial analysis. Judgment must enter into the process of decision making, so unanimous agreement as to the best decision is neither expected nor desired. This ambiguity also contributes to the initial frustration many students who have been working with scientific and technical problems in which a mechanistic approach can more frequently be counted on to yield a single 'right' conclusion. Students will also need to be mindful of the intangible human factors involved in many business situations. Ethical factors must also be considered when recommending solutions.

Rationale for course to be counted as writing intensive

Intensive written communication skills are an integral component of this capstone course taken by students in the BBA-Finance program. One of the finance program goals is to have students demonstrate the communication skills necessary for successful entry into the finance profession. Our employers hire our students for financial analyst positions in banking, corporate finance, and investments. They strongly emphasize the importance of written and verbal communication skills for our students in order for them to be successful in these positions.

The primary objective of this capstone course is to integrate the theoretical and practical finance knowledge learned in the required and elective finance courses by applying this knowledge to actual past business situations through the use of case analyses. Through case analysis students will demonstrate that they are competent in analyzing a firm's financial statements in differing economic and situational environments and presenting the results of that analysis and conclusions in written business reports. Students will write a number of reports and be given feedback on each one so as to learn how to continuously improve their writing skills and write better more concise and accurate reports. Students will be given guidance by the instructor prior to writing a case assignment on what analysis is expected. The syllabus provides students with an outline of the format and expectation for these case analyses.

Required Textbooks and Cases

Kester, Ruback and Tufano, *Case Problems in Finance*, 12th edition, McGraw-Hill Irwin. 2005 or its equivalent

Some useful web sites are:

<http://quote.yahoo.com/m1/u>

<http://biz.yahoo.com/r/>

<http://teachmefinance.com/>

<http://www.zpub.com/sf/ar1/ar1-tipr.html>

<http://www.reportgallery.com/>

http://biz.yahoo.com/p/sum_conameu.html

<http://finance.yahoo.com>

<http://www.ceoexpress.com>

Students must also have a standard financial text (Corporate Finance, Ross Westerfield, and Jaffe or its equivalent), a financial calculator, and access to the Internet, EXCEL, and Powerpoint. Use of the library's resources is encouraged. The EMU business school librarian has an office in the COB and will do a presentation for the class on resources available for researching financial databases.

Student Evaluation

Students will be required to analyze and report on a number of cases individually and be part of a team that presents and writes ONE major case analysis. The midterm exam will consist of essay questions and problems. Students will be evaluated on class participation and presentations.

Sample Requirements

FIVE individual case analyses	150 points
Two homework assignments	50 points
One major case analysis and presentation	75 points
Midterm	50 points
Final Assessment Project	50 points
Class Participation	25 points
Total	400 points

Grading Scale:

96 -100%	A
92 - 95%	A-
88 - 91 %	B+
83 - 87%	B
80 - 84%	B-
75 - 79 %	C+
70 - 74 %	C

The instructor will assign students to a team. The instructor will also assign the major case to be analyzed and presented by a team. These presentations must be done in a professional manner, using power point or some other presentation software.

Deadlines for submission of papers and homework assignments must be met. No late papers will be accepted. Any paper not received by the due date will receive a zero. Every student is expected to prepare every case even if a written assignment is not required in order to receive class participation points. **The contribution of each member of a team must be specified on the cover page of the final report.**

Oral Presentation Guidelines

Students will be graded individually on their case presentation skills. Each student must present a part of the major team project, but also must be able to answer questions on any part of the analyses.

Presentations must be done in a professional manner including dress, readable overheads, and in a clear speaking voice. Remember your speech class – eye contact is important and the ability to explain your analysis. Be sure that you can explain any number you present as you may be asked its origin. Ability to answer questions is important especially the questions to which you do not know the answer.

Final Project

Each team must analyze a real company and determine if the current stock price is the correct stock price. Attached is a copy of the project guidelines. The project is due during the time scheduled for the final exam. The instructor must approve certain parts of the project as the semester progresses.

The team must first choose a company to analyze and get their choice approved by the instructor. The team must then gather data on the company following the attached assignment as a guide and again have the instructor approve the data. The final analyses of the stock price will be presented in class by each team during the final exam period.

Format for Individual Cases

Individual case analyses are equivalent to preparing an executive summary of the problem. The following format is suggested:

I. Title Page

II. Statement Problem – a short paragraph

This statement should briefly outline the problem presented in the case. Case details do not need to be repeated. The student should assume that the instructor has read the case. It is analogous to writing a report for a supervisor.

III. Analysis of Problem

This section of the case analysis is where alternative solutions are explored. Pros and cons of different solutions should be presented. Application of theoretical models will be done in this section. Quantitative analysis should be done in exhibits and tables and referenced in this section.

IV. Recommendation

A solution must be recommended and supported by rational arguments. It is important to be able to articulate why a certain solution is recommended and to be able to defend it. There is usually not one correct solution to these case problems. But, there are incorrect solutions. For example, solutions that violate economic principles, or are inconsistent with financial theory, or are based on inconsistent assumptions, or violate ethical or legal standards are not acceptable solutions. Solutions not supported by data are not acceptable solutions.

The individual case analyses are due on the day that the team presents the case to the class.

Format for Major Case Analyses

Major case analyses have two parts. One part is a written report and the second part is a presentation of the case analysis to the class. Every team member must write a section of the report and participate in the presentation. The paper must be typed, double-spaced and include the following sections:

I. Title Page

II. Introduction of Case Problem

This section should focus on a description of the company and its problem. Any relevant historical information should be discussed in this section. This section should describe any economic trends and industry data that are relevant to making a decision on a solution to the problem presented in the case. Exhibits are useful tools for displaying these data. It is important to address the importance of the data to the case. Random data collection will be viewed negatively.

III. Analysis of Alternative Solutions

This section represents the main body of the analysis and presents the strengths, weaknesses, opportunities, and threats to the organization. Alternative solutions along with relevant analyses and exhibits should be discussed. Pros and cons of each solution must be presented with appropriate supporting data.

IV. Recommendations

Major case analysis papers are due on the day of the presentation. Students will be graded also on their ability to present the material in a clear and understandable fashion. Ability to answer questions from other students and the instructor will also be graded. Students not presenting are expected to ask relevant questions to the presenters as part of their participation grade.

Course Policies

Attendance, Late or Missed Assignments, Make-up Exams:

Deadlines for submission of papers must be met. No late papers will be accepted. Any paper not received by the due date will receive a zero. Prior consent of the instructor is required to change due dates and assignments, which may only be given under unusual hardship circumstances. All case analyses must be typed and have a professional appearance. Students must prepare individual case analyses. Once a case is presented in class writing up that case is no longer an option. Students cannot write an individual case analysis on the case they have been assigned to present with their team.

Academic Integrity:

Honesty and personal integrity are essential values for our educational community. Instances of cheating or plagiarism will result in appropriate disciplinary action such as receiving an “E” grade for the course, and referral to the Dean of Students for possible suspension or dismissal from the university. Plagiarism is defined as representing someone else’s work as your own. All proceedings and appeals shall be conducted in accordance with the EMU conduct code, which appears in the Graduate School catalog

Accommodation for Students with Disabilities:

In order to receive accommodation for this course, students with disabilities must register with the Access Services Office in 203 King Hall, 487-2470.

Reminder for F and J Visa Holders:

Under the federal SEVIS (Student and Exchange Visitor) program, F and J visa holders have new requirements to report to the EMU Office of International Students (OIS), 229 King Hall. You have 10 days to report any changes in your name, residential address, academic status (full or part-time enrollment), program of study or completion date, student level (undergraduate to graduate), funding source (employment or graduate assistant position), or intent to transfer to another university. You may not drop or withdraw from a course without OIS approval. You must also report any probation or disciplinary action due to a criminal conviction.

Failure to report any of these changes within 10 days to OIS may result in serious consequences for the student (arrest and deportation) and the university (withdrawal of federal permission to enroll international students). Contact the OIS at 487-3116, not your instructor. If you have questions or concerns,

Course Schedule

(Students are responsible for changes announced in class.)

Date	Topics	Assignments
Week 1 Presentation by Kate Pittsley, Halle Library	Introduction and Review, Measuring Firm Performance and Proforma Financial Statements	Groups and Cases Assigned Complete ratio analysis pp. 10-16. Read pp. 1-20. Homework - Tire City Analysis (Due 9/19)
Week 2	Short Term Sources of Funds and Working Capital Management	Homework - Butler Lumber and Dell Computer Analyses (Due 9/26)
Week 3	Debt Policy and Long Term Financing, Capital Structure Decisions	Name of Final Project Company due
Week 4	Investment Decisions - Project Level - pp.365-367	
Week 5	Cost of capital analysis and divisional hurdle rates pp.435 - 445, 473-481	Loewen Group Presentation
Week 6	Investment Decisions - Firm Valuation	Super Project Presentation
Week 7	Review for Midterm	Ratio Analysis Due of Final Project Firm Marriott Presentation
Week 8	Midterm Exam	

Week 9	Valuation of Firms, Acquisition and Merger Analysis	pp. 505- 521
Week 10	Valuation of Firms, Dividend Policy of Firms	Radio One Presentation
Week 11	Initial Public Offerings, Debt Policy	Eskimo Pie Econ,Ind,Co Analysis Due
Week 12	Valuation of an Acquisition	Cooper Industries
Week 13	Valuation of an Acquisition	Philip Morris/Kraft, Stock Price Det Due
Week 14	Merger Analysis	Friendly Cards
Week 15	Final Project Assessment Presentations	