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# FIN 641: Valuation and Financial Decision Making

## Syllabus, Spring 2018

**Instructor: Stefanos Delikouras**

University of Miami, 514-L Jenkins Building, Coral Gables, FL 33124

*phone:* (305) 284-1864    *email:* [sdelikouras@bus.miami.edu](mailto:sdelikouras@bus.miami.edu).

*course website:* FIN641 on Blackboard.

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### Class Meetings

- **Day & Time:** MoWe 3:30 PM – 5:30 PM; **Location:** SBA Room 502.

### Textbooks

Corporate Finance by Berk and DeMarzo (BDeM), Pearson, 3rd Edition; ISBN: 9780132993913.

### Office Hours

Monday 1:30 PM – 3:30 PM or by appointment

### TA Office Hours

**TA:** Sima Jannati; **Email:** [s.jannati@umiami.edu](mailto:s.jannati@umiami.edu)

**Day & Time:** Friday 8:00 AM – 10:00 AM and by appointment

**Location:** Finance Department Trading Room

### Course Objectives

This course is the introductory course in Finance for the MBA program. The purpose of this course is to equip students with the fundamental tools and techniques essential for a financial manager or a general manager with good understanding of finance. This course is also designed to provide a foundation for subsequent coursework in investments, corporate finance, and valuation.

## **Covered Topics**

The primary focus of this course is financial valuation. We will first discuss the concept of present value in extensive detail and then apply the principles of valuation to value (a) investment projects and (b) financial securities (stocks and bonds). Since financial decision-making virtually always involves risk, we will then introduce the concept of risk from the perspective of modern portfolio theory. We will integrate our knowledge of cash flow valuation with our understanding of risk to modify valuation techniques in the presence of risk. The course will conclude with an introductory treatment of the effects of financing on capital budgeting decisions.

## **Honor Code**

All students must comply with the University of Miami policies for conduct and academic honesty at all times during this course. Any violations of these policies will result in referral to the appropriate administrative body.

## **Special Accommodations**

If you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of the course, the assignments, and the in-class activities may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat information you provide as private and confidential. If you are planning to miss a lecture due to religious reasons you need to notify me within three days within the first three days of classes.

## **Smartphone, Tablet, and Laptop Use**

Smart-phones and tablets are strongly prohibited during exams. Smart-phones are also prohibited during lectures. The use of tablets and laptops during lectures is allowed provided that these devices are used for class-related material, e.g., taking notes, solving problems in Excel, and downloading financial data from the internet. Please note that during class, I reserve the right to ask you to turn these devices off.

## General Guidelines

- **Readings:** You are expected to complete the required readings **before** each class. The readings for each class include relevant sections from the textbook, lecture notes, and journal articles.
- **Lecture Notes:** Lecture notes will be posted on the course web site (Blackboard) **prior** to the lecture date.
- **Problem Sets:** There will be four group problem sets and an individual one. You need to turn in your problem sets prior to the specified deadline. I will not accept problem sets submitted past the deadline.
- **Active Participation:** During lectures, I like to ask a lot of questions.

**Difficult Topics:** If you find certain sections of the course difficult, do not panic! I encourage you to discuss these topics with me, the TA, and/or your colleagues.

**Continuous Feedback:** I encourage you to give me feedback about course material, teaching style and anything else that would help you understand finance concepts better. You should come and talk to me in person if you have any concerns and/or suggestions.

## Examinations and Grading

- **Exams:** There will be **two** exams
  - **Final Exam: Wednesday, February 28th 2018, 3:30 PM – 5:30 PM, SBA Room 502.** The Final Exam will take place in class, during regular class time. The Final Exam date and time CANNOT change unless there is an important health or family emergency. In this case, you need to provide appropriate justification (e.g., proof of travel arrangements, doctor's note, etc.).
  - **Midterm Exam: Monday, February 5th 2018, 3:30 PM – 5:30 PM, SBA Room 502.** The Midterm Exam will take place in class, during regular class time. There WILL NOT be a make-up midterm exam. If you miss the Midterm Exam without a valid excuse, you will get a zero. If you miss the Midterm Exam due to a health or family emergency, your grade in the Final Exam will also count as the grade for your Midterm. Please note that in the case of health or family

emergency, you need to provide appropriate justification (e.g., proof of travel arrangements, doctor's note, etc.).

- I will be discussing what to expect in the exams during lectures.
- Time permitting, I will also hold a review session before the exams.

- **Grading Policy:**

- Maximum Possible Score: **100**.
- *Final Exam*: **35** points of your grade.
- *Midterm Exam*: **20** points of your grade.
- *Group Problem Sets*: **20 points**. There will be roughly four problem sets. For these problem sets, you will work in groups. I will assign the groups. You will get the full 20 points if you turn in **ALL** problem sets in a clean and presentable way, showing considerable effort for **ALL** questions. Problem sets are the best way to practice for the exams.
- *Individual Assignment*: **10 points**. There will be one individual assignment.
- *Case Study*: **5 points**. There will be one case study assigned individually.
- *Participation*: **10 points**. The participation grade is based on your active participation in the course. You will get the full 10 points if you come to all the lectures, and show an active interest in the course. Over the course of the semester, I will be frequently taking attendance. I will also be assigning individual bonus problems that can boost your participation grade.

- **Grade Distribution:** Your grades will be curved at the end of the course. Following the guidelines of the School of Business, the grade distribution will be curved so that the average grade is around **B**.

- **No Extra Credit Assignments:** There will not be any extra assignments designed to compensate for low grades in exams. This is a university-wide policy, and there will not be exceptions to this rule under any circumstances.

- **Use of Calculators and Laptops during Exams:** Each student is encouraged to have his or her own calculator or laptop to use during exams. **Sharing** of calculators and laptops during exams is **NOT** permitted.

## How to Study for the Class?

- Mainly focus on the lecture notes and problem sets.
- Read the BDeM textbook for background information and get a broader perspective on the topics covered in class.
- Use the problem sets to gain further understanding of the basic concepts. Some exam questions will be **similar** to the problem sets.

## Tentative Topics - Important Dates

1. Introduction;  
*Suggested Readings:* Syllabus
2. Time Value of Money, 1/17/2018;  
*Suggested Readings:* BDeM, Chapter 4.
3. Valuation of Multiple Cash Flows and Interest Rate Quotes, 1/19/2018;  
*Suggested Readings:* BDeM, Chapter 5.
4. Capital Budgeting Criteria, 1/22/2018;  
*Suggested Readings:* BDeM, Chapter 7. HW 1 Due.
5. Cash Flows and Investment Decisions, 1/24/2018;  
*Suggested Readings:* BDeM, Chapter 8.
6. Inflation and Capital Budgeting, Mid-course Review, 1/29/2018;  
*Suggested Readings:* BDeM, Chapter 8. HW 2 Due.
7. Bond Valuation, 1/31/2018;  
*Suggested Readings:* BDeM, Chapter 6.
8. **Midterm Exam: 2/5/2018, regular class hours, in class.**
9. Stock Valuation, 2/7/2018;  
*Suggested Readings:* BDeM, Chapter 9.
10. Return, Risk, and Diversification, 2/12/2018;  
*Suggested Readings:* BDeM, Chapter 10. Individual assignment due.

11. Capital Asset Pricing Model, 2/14/2018;  
*Suggested Readings:* BDeM, Chapter 11.
12. Weighted Average Cost of Capital and Capital Structure, 2/19/2018;  
*Suggested Readings:* BDeM, Chapter 12. HW3 due.
13. Pioneer Petroleum Case and Course Wrap-up, 2/21/2018;
14. HW4 Due; Pioneer Petroleum Case Due, 2/26/2018;
15. **Final Exam: 2/28/2018, 3:30 PM - 5:30 PM, SBA Room 502.**