

As of: 8/14/08

The University of Alabama
Culverhouse College of Commerce
Economics, Finance, & Legal Studies

**FI 410 Intermediate Financial Management
Fall 2008**

Rusty Yerkes
345-E Bidgood Hall
Office Hours: M-Th 12-1pm

ryerkes@cba.ua.edu
348-7592

Course Description: Development of advanced practices of financial management and their application to decision making in the business firm.

Required Text: *Intermediate Financial Management*. Brigham & Daves. 8th Ed.

Additional Required Reading: *The Wall Street Journal*. We will be discussing articles from the WSJ daily and several exam questions will come from WSJ topics discussed in class. It is your responsibility to subscribe to the WSJ or obtain the articles from another source. WSJ article topics TBD and subject to change.

Required Calculator: Texas Instruments BA II Plus Financial Calculator or other Financial Calculator. Graphing calculators are not permitted.

Grades: Exam questions and problems will be taken directly from the assigned readings, objectives, problems, class notes, and Wall Street Journal articles. There will be **no** makeups. Exams may consist of multiple choice questions and problems, short answer questions, and workout problems.

Exam 1	25%	Thurs Sep 18th
Exam 2	25%	Thurs Oct 16th
Exam 3	25%	Thurs Nov 13th
<u>Final</u>	<u>25%</u>	Fri Dec 12 th , 11:30am-2:00pm (not comprehensive)
Total	100%	

Exam 1 Material (Aug 21-Sep 18):

Thurs Aug 21st/Tues Aug 26th

CH 1 An Overview of Financial Management

Objectives: Goal of the Firm, 3 Economic Benefits of Wealth Maximization, 3 Agency Conflicts & Control Mechanisms

WSJ: Staples/Corporate Express, Yahoo/Microsoft, Anheuser-Busch/InBev/Modelo

Thurs Aug 28th/Tues Sep 2nd CH 2 Risk and Return: Part I

Objectives: Scenario Analysis, Expected Return, Risk/Standard Deviation, Coefficient of Variation, Risk Aversion, Weighted Avg Portfolio Returns, Systematic/Unsystematic Risk

Problems: 2-1, 2-3, 2-5

WSJ: Federal Reserve, Fannie Mae/Freddie Mac

Thurs Sep 4th/Tues Sept 9th CH 3 Risk and Return: Part II

Objectives: Portfolio Risk, Correlation Coefficient, CAPM, Assumptions, CML, SML, Beta, Risk Premium, Covariance, APT, Fama-French, Behavioral Finance

Problems: 3-3, 3-4,

Thurs Sep 11th/Tues Sept 16th CH 4 Bond Valuation

Objectives: Issuers/Types, Key Characteristics, Risks, Bond Markets, Valuation, Premium/Discount, YTM, YTC, Current Yield, Financial Calculator/TVM

Problems: 4-1, 4-2, 4-4

Thurs Sep 18th EXAM 1

Exam 2 Material(Sep 23rd-Oct 16th):

Tues Sep 23rd/Thurs Sep 25th CH 5 Stock Valuation

Objectives: Preemptive rights, Classified/founders shares, primary/secondary markets, IPO/SEO, Constant Growth(Gordon) DDM, Perpetuity/Preferred Stock Valuation, Supernormal DDM, Market Multiple Analysis, Efficient Markets Hypothesis(EMH)

Problems: 5-2, 5-4, 5-5

WSJ: SEC/Stock Short Trading Rules

Tues Sep 30th/Thurs Oct 2nd CH 6 Accounting for Financial Management

Objectives: Annual report 10(k), Balance Sheet, Income Statement, Statement of Retained Earnings/Shareholders Equity, Proxy Statements, Material Disclosure 8(k)

In Class Exercise: Review Financial Statements, Discussion

Tues Oct 7th/Tues Oct 14th CH 6 Accounting for Financial Management

Objectives: Statement of Cash Flows(CFO, CFF, CFI), NOPAT, ROIC, MVA/EVA, Taxes, TEY, Intercorporate Dividends

Problems: 6-4, 6-5, 6-7, 6-8

Thurs Oct 16th EXAM 2

Exam 3 Material (Oct 21st-Nov 13th)

Tues Oct 21st/Thurs Oct 23rd CH 7 Analysis of Financial Statements

Objectives: Liquidity Ratios: Current, Quick, Cash; Asset Mgt Ratios(Turnover): Inventory TO, Days Sales Outstanding, Asset TO; Debt Ratios: Debt, TIE, EBITDA Coverage; Profitability Ratios: Profit Margin, ROA, ROE; Market Value Ratios: P/E, P/CF, BV/S, P/B; Limitations/Context, Trend, Common Size, and %Change; DuPont ROE Decomposition

Problems: 3,4,5,8,9

WSJ: Housing Bill

Tues Oct 28th/Thurs Oct 30th CH 9 Determining the Cost of Capital

Objectives: 3 Components: Debt, Preferred Stock, Common Stock-CAPM, DCF, Bond Yield+ Premium, Cumulative Pfd Stock, Flotation Costs Adjustment, WACC, Factors firm can/can't control, limitations (5), avoid (4)

Problems: 2, 5, 8, compute WACC from previous problems using 10% Pfd, 30% Debt, 60% Common Stock

WSJ: Auction Rate Securities

Tues Nov 4th/Thurs Nov 6th CH 11 Capital Budgeting: Decision Criteria

Objectives: 7 Decision Rules: (1) Payback period, (2) Discounted payback period, (3) Accounting Rate of Return(ARR), (4) NPV, (5) IRR, Rankings, Independent vs Mutually Exclusive, Cross Over Rate of Return(CORR), (6) Modified IRR(MIRR), (7) Profitability Index(PI)

Problems: 4, 7, 8

WSJ: State Tax Receipts

Tues Nov 11th CH 12 Capital Budgeting: Cash Flows and Analyzing Risk

Objectives: Free cash flow(FCF) vs NI, Incremental CF's: (1) Sunk costs, (2) Opportunity Costs, (3) Externalities/Cannibilization; Taxes-impact of depreciation methods: (1) SLD, (2) MACRS; Evaluating Projects: Expansion vs Replacement, (1) Initial Investment Outlay, (2) Annual CFs, (3) Terminal (Salvage) Value; Adjusting for Inflation; Project Risk Analysis: (1) Stand Alone (project) Risk, (2) Corporate Risk, (3) Market Risk; Sensitivity Analysis, Scenario Analysis

Problems: 2

Thurs Nov 13th

EXAM 3

Final Exam Material (Nov 18th-Dec 4th):

Tues Nov 18th/Thurs Nov 20th

CH 17 IPOs, Investment Banking

Objectives: '33/'34 ACTs, SEC Roles, Private Placements, Accredited Investor, Advantages/Disadvantages of going public, underwriting(investment banking) process, best efforts, firm commitment, green shoe option, syndicate, unsyndicated offering, selling group, registration process, IPO lockup, quiet period, waiting period, red herring, SEO, primary vs secondary market transactions, shelf registration, preemptive rights offering, LBO's.

Questions: 1a-h, 3,4,5,6

Tues Nov 25th/Tues Dec 2nd

CH 18 Lease Financing

Objectives: Operating leases, Capital(financial) leases, Sale/Leaseback, Combination, Synthetic, SPE, tax provisions p.644, Financial Statement Effects, FASB 13 requirements for capitalizing, lease vs. buy, NAL (lowest NPV of cost)

Problems: 1, 2

WSJ: GM, Ford, Chrysler curtail lease programs

Thurs Dec 4th

CH 25 Mergers & Acquisitions

Objectives: Rationale for mergers, synergies(5), tax considerations, purchase assets below cost, diversification, manager incentives, breakup value, merger types: horizontal, vertical, congeneric, conglomerate, hostile vs. friendly, antitakeover measures, regulatory oversight, Williams Act

Questions: 1a-d, g, 2, 4

Fri Dec 12th

FINAL EXAM (11:30am-2:00pm)