FINANCIAL MANAGEMENT
FIN 531

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COURSE OBJECTIVES
This course focuses on valuation. Our goal is to develop tools for evaluating almost any type of investment opportunity. Most days will consist of both a morning and an afternoon session. The morning session will be an in-class discussion regarding some aspect of valuation. The afternoon session will be a “lab” in which we will work through a set of problems.

COURSE MATERIALS
- A reading packet (optional)
- An i>clicker (required)
Both are available at the bookstore. (More details about the i>clicker are provided below.)

PREREQUISITES
You are expected to be comfortable with:
(1) Time value of money calculations (e.g., present value, annuities)
(2) Probability and basic statistics (e.g., expected value, distributions, correlation, standard deviation)
(3) Excel. We will be using Excel in many of the afternoon sessions.
(4) Using a calculator. Get one and bring it to every class when we are not in the trading room. Knowing just the basic functions is fine.

EVALUATION
Your course grade will be computed as:
Problem Sets and Class Discussion 20%
Exams (3) 80%

PROBLEM SETS AND CLASS DISCUSSION
We will generally use the afternoon “lab” session to work through a series of problems that will have been assigned during the morning session. The purpose of these problem sets is to provide you with opportunities to apply the concepts we discuss in class. I encourage you to work through the problem sets with your classmates. You should be prepared to discuss and work the problems in front of the class. For many of the problems, there is not one right answer. There are, however, right ways to analyze a problem in search of an answer.

We will regularly be using i>clickers as part of the class discussion. i>clicker is a system that allows you to respond to in-class questions. **Whether you answer a question and (in some cases) whether you answer it correctly will be factored into your class discussion grade.** If you miss class or forget to bring your i>clicker, you will not be given credit for questions that require a response via i>clicker. To get credit for answering these questions, your i>clicker will need to be registered online. To register your i>clicker, go to the Angel, select the Lessons tab, and select the file “Register your i>iclicker.” You will then need to enter the ID code for your
i>clicker. This is the series of numbers and sometimes letters found on the bottom of the back of your i>clicker remote.

During the third week we will have guest speakers from Shire PLC speaking about incorporating real options in valuation of projects. During the fourth week of class we will focus on the MAcc stock analysis tourney. Your active participation in these events will also count toward your discussion / problem set grade.

EXAMS
Exams will be given in-class during the morning sessions on **Friday, May 10, Friday, May 17**, and **Friday, May 24**. Each exam will be comprehensive up to the point of the exam. Your exams will be weighted 30%, 35% and 35% of your total exam grade. If the average of your scores on the last two exams exceeds the score on your first exam, your first exam gets a weight of 25% and the last two exams get weights of 37.5% and 37.5%.

PRELIMINARY SCHEDULE BY THE WEEK

<table>
<thead>
<tr>
<th>WEEK</th>
<th>TOPICS</th>
<th>Readings from Packet*</th>
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| 1    | Review time value of money  
Review of CF, NPV, IRR, & EV  
Review of statistics for finance | Chapter 6, Brealey, Myers, Allen |
| 2    | Portfolio theory and  
Estimating cost of capital  
Understanding uncertainty | Chapters 8 & 9, Brealey, Myers, Allen  
Chapter 10, Brealey, Myers, Allen |
| 3    | Real options  
Valuation of financial derivatives  
Valuing businesses | Chapter 22, Brealey, Myers, Allen  
Chapter 21, Brealey, Myers, Allen  
Chapter 9, Higgins |
| 4    | MAcc Stock Analysis Tourney. | |

* Additional readings will be posted on Angel.

Academic Honor Code
The Smeal College has adopted the following Honor Code:
*We, the Smeal College of Business Community, aspire to the highest ethical standards and will hold each other accountable to them. We will not engage in any action that is improper or that creates the appearance of impropriety in our academic lives, and we intend to hold to this standard in our future careers.*

Impropriety in this course includes, but is not limited to:
1. Viewing or copying another student’s exam or assignment.
2. Allowing other students to view or copy your work.
3. Gaining access to course materials from prior semesters or outside sources that have not been provided to all students by the instructor.
4. Discussing an exam with students from prior semesters or another section
5. Answering i>clicker questions using another student’s i>clicker.

According to the Penn State Principles and University Code of Conduct: Academic integrity is a basic guiding principle for all academic activity at Penn State University, allowing the pursuit of scholarly activity in an open, honest, and responsible manner. According to the University’s Code of Conduct, you must neither engage in nor
tolerate academic dishonesty. This includes, but is not limited to cheating, plagiarism, fabrication of information or citations, facilitating acts of academic dishonesty by others, unauthorized possession of examinations, submitting work of another person, or work previously used in another course without informing the instructor, or tampering with the academic work of other students.

Any violation of academic integrity will be investigated, and where warranted, punitive action will be taken. For every incident when a penalty of any kind is assessed, a report must be filed, using the pdf form at this URL: https://intranet.smeal.psu.edu/smeal/integrity/index.html. This form is used for both undergraduate and graduate courses. This report must be signed by both the instructor and the student, and then submitted to the Associate Dean for Undergraduate Programs.

In addition, with each exam, you are required to sign the Smeal Academic Integrity Pledge, which reads: I affirm that I have neither given, received, nor witnessed aid on this deliverable and have completed this work honestly and according to the professor’s guidelines.

Something to think about:
“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.” – Warren Buffet

Other stuff
Please no texting, calling, emailing, Facebooking, Tweeting, Googling, Sudoku solving, Angry Birding, Words with Friends-ing, Pandora-ing, MP3 listening or any other form of non-class related use of technology during class. It is a distraction to me and, more importantly, to your classmates. (The old school distractions of newspaper reading and crossword puzzling are also included in this policy.)