



**Course** FIN 6301, Section S01, Financial Management  
**Professor** Yexiao Xu  
**Term** Fall 2016  
**Meetings** Tuesday, 9:00-11:45AM (SM1.517)

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### Professor's Contact Information

<b>Office Phone</b>	(972)883-6703
<b>Office Location</b>	SM 14.509 (fourth floor at the south-east end of the new JSOM building)
<b>Email Address</b>	<a href="mailto:yexiaoxu@utdallas.edu">yexiaoxu@utdallas.edu</a>
<b>Office Hours</b>	Tuesday 5:30-6:30PM and Wednesday 11:00AM-12:00PM
<b>Other Information</b>	Lecture notes and homework assignment can be downloaded from elearning at: <a href="http://www.elearning.utdallas.edu/">http://www.elearning.utdallas.edu/</a> Grades are also available at elearning, but I do not read email from elearning! Please pay attention to announcement posted on elearning

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### General Course Information

<b>Pre-requisites, Co-requisites, &amp; other restrictions</b>	OPRE 6301 (or Stat 5311) and AIM 6201
<b>Course Description</b>	Financial management can be broadly defined as management of assets, liabilities, and equity effectively in order to maximize the wealth of owners. Although, the principle of financial management applies to individuals as well as organizations, we will focus on the financial management of a corporation, or corporate finance, so that you can understand the subject in a general but concrete environment. To give you a big picture on various issues concerning corporate financial decision-making, we divide our course into three areas, the investment decision, valuation, and the financing choices of firms. On the investment side, we study how firms should commit their resources to projects that will create best value. This is carried out through two stages. We first examine firms' capital budgeting decisions in an ideal world with certainty. After developing necessary tools to quantify risks, we then extend our approach of capital budgeting to an uncertainty environment. On the financing side, we study how choices of debt versus equity in financing their investment affect firms' value. Perhaps, a more fundamental question to ask is how we know the value of different assets. In fact, much of the theory in this part relies on correct valuation of different financial claims. Therefore, we will also focus on the pricing issue of various securities, including stocks and bonds, in an efficient market environment. Finally, as the world markets become increasingly integrated due to globalization, it is important to introduce you to important issues in international finance.
<b>Learning Outcomes</b>	1. Be able to apply time value of money concepts to various valuation problems 2. Be able to describe what drives a firm's cost of capital & how to estimate it 3. Be able to analyze strategic investments in real and financial assets using various methodologies
<b>Required Texts &amp; Materials</b>	Ross, Westerfield and Jaffe, <i>Corporate Finance</i> , 10th edition
<b>Suggested Texts, Readings, &amp; Materials</b>	Burton G. Malkiel, <i>Random Walk Down Wall Street</i> Wall Street Journal or financial section of major newspapers such as the New York Times, and watch financial programs

## Assignments & Academic Calendar

	<b>Part I: The Investment Decision</b>
<b>Aug. 23 Lecture 1</b>	An introduction to financial Management The functions and objections of financial management Financial markets Basic accounting information RWJ, Chapters 1.1-1.5 and 2
<b>Aug. 30 Lecture 2</b>	Net Present Value (NPV) Analysis Financial market economics and NPV analysis Compounding and discounting Perpetuity and annuity calculation RWJ, Chapter 4
<b>Sep. 06 Lecture 3</b>	Why use NPV analysis? <span style="float: right;">Problem Set 1 Due in Class</span> Some alternatives to NPV analysis and their drawbacks Strategy and application of NPV analysis Capital rationing, and break-even analysis RWJ, Chapters 5 and 7.1
<b>Sep. 13 Lecture 4</b>	Cash flow calculation Rules of cash flow analysis A mini case Examples of NPV analysis: Replacement theory RWJ, Chapters 6.1-6.3
<b>Sep. 20 Lecture 5</b>	Portfolio Theory <span style="float: right;">Problem Set 2 Due in Class</span> Introduction to risk Measuring risk and return Diversification and different types of risks Efficient portfolio and Capital Market Line RWJ, Chapters 10 and 11.1-11.7
<b>Sep. 27 Lecture 6</b>	Asset pricing models The Capital Asset Pricing Model (CAPM) Systematic v.s. nonsystematic returns Capital budgeting once more RWJ, Chapters 11.8-11.9
	<b>Part II: Valuation</b>
<b>Oct. 04 Lecture 7</b>	Efficient markets <span style="float: right;">Problem Set 3 Due in Class</span> Three notions of efficiency Evidence on efficient capital markets Review RWJ, Chapter 14
<b>Oct. 11</b>	<b>Test I</b>
<b>Oct. 18 Lecture 8</b>	Stocks and valuation Introduction to equity securities Stock investment 101 Models for stock valuations Introduction to option RWJ, Chapters 15.1, 9, and 22.1-22.3
<b>Oct. 25 Lecture 9</b>	Bond valuation Bond basics Bond pricing

	Patterns of financing RWJ, Chapters 15.2, 8, and 15.6	
	<b>Part III: The Financing Decision</b>	
<b>Nov. 01 Lecture 10</b>	The capital structure Financial leverage and firm value Cost of capital The MM theory The role of taxes RWJ, Chapters 13.1-13.8 and 16	Problem Set 4 Due in Class
<b>Nov. 08 Lecture 11</b>	Limits to the use of debt Cost of financial distress The MM theory with personal tax Capital budgeting with leverage APV, FTE, and WACC approaches RWJ, Chapters 17 and 18	
<b>Nov. 15 Lecture 12</b>	International finance Foreign exchange markets and Terminology Purchasing-power parity International capital budgeting RWJ, Chapters 31.1-31.5	Problem Set 5 Due in Class
<b>Nov. 22</b>	<b>Fall break</b>	
<b>Nov. 29</b>	<b>Test II</b>	

### Course Policies

<b>Grading (credit) Criteria</b>	Problem Sets 30% Test I 35% Test II 35% (Please directly contact my TA for grading issues!) <b>You must take the final exam in order to receive a grade for the course</b>
<b>Make-up Exams</b>	<b>No make-up exams!</b> For those who can not take the midterm on the date of exam due to business travel, you should take it before leaving the town.
<b>Calculator Policy</b>	<b>No financial or graphics calculators, only SIMPLE scientific calculators in exams</b>
<b>Extra Credit</b>	<b>No extra credit</b>
<b>Late Work</b>	<b>Do not accept late homework in any circumstance</b>
<b>Special Assignments</b>	<b>No</b>
<b>Class Attendance</b>	<b>Not enforced but strongly encouraged.</b> You will be responsible for all the materials discussed in class.
<b>Classroom Citizenship</b>	<b>Strongly encourage class discussion</b>
<b>Student Conduct and Discipline</b>	<p>The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern student conduct and activities. General information on student conduct and discipline is contained in the UTD publication, <i>A to Z Guide</i>, which is provided to all registered students each academic year.</p> <p>The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the <i>Rules and Regulations, Board of Regents, The University of Texas System, Part I, Chapter VI, Section 3</i>, and in Title V, Rules on Student Services and Activities of the university's <i>Handbook of Operating Procedures</i>. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391).</p> <p>A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.</p>
<b>Academic Integrity</b>	The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic

	<p>degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.</p> <p>Scholastic dishonesty includes, but is not limited to, statements, acts or omissions related to applications for enrollment or the award of a degree, and/or the submission as one's own work or material that is not one's own. As a general rule, scholastic dishonesty involves one of the following acts: cheating, plagiarism, collusion and/or falsifying academic records. Students suspected of academic dishonesty are subject to disciplinary proceedings.</p> <p>Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see general catalog for details). This course will use the resources of <a href="http://turnitin.com">turnitin.com</a>, which searches the web for possible plagiarism and is over 90% effective.</p>
<b>Email Use</b>	<p>The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account. This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at U.T. Dallas provides a method for students to have their U.T. Dallas mail forwarded to other accounts.</p>
<b>Withdrawal from Class</b>	<p>The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.</p>
<b>Student Grievance Procedures</b>	<p>Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's <i>Handbook of Operating Procedures</i>.</p> <p>In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.</p> <p>Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.</p>
<b>Incomplete Grades</b>	<p>As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of <b>F</b>.</p>
<b>Disability Services</b>	<p>The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.</p> <p>The contact information for the Office of Disability Services is:  The University of Texas at Dallas, SU 22  PO Box 830688  Richardson, Texas 75083-0688  (972) 883-2098 (voice or TTY)</p> <p>Essentially, the law requires that colleges and universities make those reasonable adjustments necessary to eliminate discrimination on the basis of disability. For example, it may be necessary to remove classroom prohibitions against tape recorders or animals (in the case of dog guides) for students who are blind. Occasionally an assignment requirement may be substituted (for example, a research paper versus an oral presentation for a student who is hearing impaired). Classes enrolled students with mobility impairments may have to be rescheduled in accessible facilities. The college or university may need to provide special services such as registration, note-taking, or mobility assistance.</p> <p>It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.</p>
<b>Religious Holy Days</b>	<p>The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.</p> <p>The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment. If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.</p>
<b>Off-Campus Instruction and Course Activities</b>	<p>Off-campus, out-of-state, and foreign instruction and activities are subject to state law and University policies and procedures regarding travel and risk-related activities. Information regarding these rules and regulations may be found at <a href="http://www.utdallas.edu/BusinessAffairs/Travel_Risk_Activities.htm">http://www.utdallas.edu/BusinessAffairs/Travel_Risk_Activities.htm</a>. Additional information is available from the office of the school dean.</p>

*These descriptions and timelines are subject to change at the discretion of the Professor.*

**University of Texas at Dallas  
School of Management**

**Fin 6301  
Section S01**

**Prof. Yexiao Xu  
Fall 2016**

About Yourself

In order for me to better organize the course, and to adapt the materials to your background, please fill the survey sheet and hand it to me after the class.

Name: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Your Job (if applicable): \_\_\_\_\_

Background:

Finance Class \_\_\_\_\_

Economics Class \_\_\_\_\_

Accounting Class \_\_\_\_\_

Statistics and/or Math Class \_\_\_\_\_

Reading:

Do you surf financial websites, such as finance.yahoo.com, marketwatch.com, etc. ?

Never \_\_\_\_\_ Occasionally \_\_\_\_\_ Often \_\_\_\_\_

Do you read financial newspapers, such as the Wall Street Journal, the Financial Times, the financial section of the New York Times, etc.?

Never \_\_\_\_\_ Occasionally \_\_\_\_\_ Often \_\_\_\_\_

Do you read financial magazines, such as Money Magazine, Business Week, Forbs, etc.?

Never \_\_\_\_\_ Occasionally \_\_\_\_\_ Often \_\_\_\_\_

Do you watch financial programs, such as Nightly Business News, CNBC, etc.?

Never \_\_\_\_\_ Occasionally \_\_\_\_\_ Often \_\_\_\_\_

Your Comments: