

SOM 640 Corporate Finance

Professor Hossein Kazemi

1. Basic Information:

- (a) Term: Fall 2019
- (b) Class: Tuesdays & Thursdays 10:00-11:15, Room 210
- (c) Office hours: Tuesdays 1:00-2:00, Thursdays 2:00-3:00, or by appointment
- (d) Office: SOM 310A Tel: 545-5629
- (e) E-mail address: kazemi@isenberg.umass.edu
- (f) Personal web page: people.umass.edu/kazemi
- (g) Course web page on Blackboard: uma.umassonline.net

2. Objective:

This course introduces students to the field of financial decision making. Many central concepts of financial economics are introduced and discussed. However, since this is an introductory course, many topics – with some even considered rather important – are not discussed at all or are introduced rather briefly. Students will learn about financial statements analysis, financial planning, time value of money, valuations of stocks and bonds, capital budgeting, risk and return in financial markets, and the cost of capital. Students will gain an appreciation of the basic concerns and responsibilities of financial managers and will apply the methods of analysis employed by financial professionals.

3. Textbook:

- (a) *Fundamentals of Corporate Finance*, by Ross, Westerfield and Jordan, 12th Edition.
 - i. The E-Book is based on 12th Edition of the book. You can use an older edition of the book, but there will be some differences. The E-Book can be purchased here:
 - ii. Link: <http://create.mheducation.com/shop/>
 - iii. ISBN: 9781307483383
 - iv. Title: Corporate Finance 2019

4. Other Tools: Finance calculator or apps

- (a) Calculator: HP-12C or similar financial calculator with *present and future values* functions
- (b) Online emulator (check your ad blocker): <https://epxx.co/ctb/hp12c.html>
- (c) iPhone App: <https://apps.apple.com/us/app/vicinno-financial-calculator/id400147868>
- (d) Android App: <https://play.google.com/store/apps/details?id=com.hp.hp12c>

5. Assignments:

Reading assignments are from the textbook and the material posted on the website or distributed in the class. Since you will be expected to participate in class discussions, you should always complete the assignments before the class period. The material covered in this class are inherently cumulative, and it is important that you do not fall behind. I am here to help you, but it is your responsibility to get the help you need before problems get out of control.

6. Lecture Notes:

I will use slides to organize my lectures. Copies of these slides are available on Blackboard. Also, whenever possible, other reading materials that are distributed during class will be posted on the website.

7. Problem Sets and Exams:

(a) Problem Sets:

- i. There will be 11 short problem sets. The grades from the best 9 submitted problem sets will be used. You are encouraged to work with your classmates, but must submit your own completed problem set. *You must submit a CLEAN printed or handwritten copy of the solution at the beginning of the class. You may upload your solution, but it has to be in PDF format. No EXCEL or WORD files are accepted. A free PDF generator can be found here: cutepdf.com*
- ii. Problem sets are distributed on a Thursday and will be due the following Tuesday.

(b) Exams: There will be a mid-term and final exam. The final exam is not cumulative.

8. Bloomberg:

- (a) You will need to use *Bloomberg Professional* to complete some of your problem sets. In addition, Bloomberg Professional is widely used within the business world. You will find it extremely helpful in completing projects for other classes. There is a Bloomberg Professional Terminal in the MBA room and there are more in the computer labs of Isenberg School.
- (b) I have posted a few documents on the website to help you get started. Also, there are links to a video introducing the Bloomberg Professional
- (c) You should consider completing the Bloomberg Market Concepts (BMC) program. It is an online 8-hour program.

9. Investment game and company reports: These are *NOT* required. You could receive 6, 5, 4 or 3 points by participating in the investment game. To receive the points, you will need to do the following:

(a) Participate in the simulated investment game

- i. Go to the course website and follow the instructions for registering for the game. You need to sign up for the game called *Isenberg 640-2019*. Make sure that all of your trades are done when you are logged into this game. The registration ends on September 30.

(b) Write a report

- i. Write a 6-8 page report, comparing two firms from the same industry (perhaps two that you have invested in), making a case for investment in one of the two. A typical report will consist of:
 - A. A brief description of the two firms.
 - B. Analysis of financial statements, peer comparison, changes in financial position, etc.
 - C. Statistical analysis of their returns over the last 2 years using daily returns.
 - D. Equity valuation using one of the models discussed in the class
 - E. Conclusion and recommendation

(c) If you finish in the top 3 of the game you will receive 6, 5, or 4 points. Everyone else will receive 3 points for being *unlucky*. A printed copy of the report in PDF format must be submitted.

10. Weekly summaries: At the end of almost every week, you will receive an email from me summarizing the topics that we have discussed during that week. Also, the email will say a few things about the upcoming topics.

11. Summary of grading

9 Out of 11 Problem Sets:	9×6	54
2 Exams:	2×23	46
Investment Game + Reports		6
Total		106

12. Important Dates

Meetings	Date	Assignments	Lectures
1	Tuesday, September 3, 2019		Introduction to Course & Chapter 1
2	Thursday, September 5, 2019		Chapters 1,2: Fin Statements
3	Tuesday, September 10, 2019	PS 1	Chapter 2: Fin Statements
4	Thursday, September 12, 2019		Chapter 3: Working with Fin Statements
5	Tuesday, September 17, 2019	PS 2	Chapter 3: Working with Fin Statements
6	Thursday, September 19, 2019		Chapter 4: Planning
7	Tuesday, September 24, 2019	PS 3	Chapter 4: Planning
8	Thursday, September 26, 2019		Chapter 5: Time Value of Money
9	Tuesday, October 1, 2019	PS 4	Chapter 6: Discounted Cash Flows
10	Thursday, October 3, 2019		Chapter 6: Discounted Cash Flows
11	Tuesday, October 8, 2019	PS 5	Chapter 6: Discounted Cash Flows
12	Thursday, October 10, 2019		Chapter 7: Bonds
	Tuesday, October 15, 2019		
13	Thursday, October 17, 2019		Midterm
14	Tuesday, October 22, 2019		Chapter 7: Bonds
15	Thursday, October 24, 2019		Chapter 8: Stocks
16	Tuesday, October 29, 2019	PS 6	Chapter 8: Stocks
17	Thursday, October 31, 2019		Chapter 8: Stocks
18	Tuesday, November 5, 2019	PS 7	Chapter 9: NPV
19	Thursday, November 7, 2019		Chapter 9: NPV
20	Tuesday, November 12, 2019	PS 8	Chapter 10: Capital Investments
21	Thursday, November 14, 2019		Chapter 10: Capital Investments
22	Tuesday, November 19, 2019	PS 9	Chapter 11: Capital Markets
23	Thursday, November 21, 2019		Chapter 11: Capital Markets
	Tuesday, November 26, 2019		
	Thursday, November 28, 2019		
24	Tuesday, December 3, 2019	PS 10	Chapter 12: Risk & Return
25	Thursday, December 5, 2019		Chapter 12: Risk & Return
26	Tuesday, December 10, 2019	PS 11	Chapter 13: Cost of Capital
	Friday, December 13, 2019		Last Day of Trading
	Friday, December 20, 2019		Optional Reports

13. Class policies:

- Class participation: Please attempt to attend all classes and arrive on time. You should let me know *BEFORE* the class starts if you are going to miss a class.
- Please come to the class prepared to participate.
- Please avoid using your laptop, tablet or other electronic devices unless they are being used to view or take notes.
- Enjoy the class and please let me know if I am moving too fast or too slow covering the material. Please feel free to ask questions about what is being discussed in the class or anything finance – do not promise to know the answer.

14. Professional Designations in Finance

- (a) Chartered Financial Analyst: <https://cfainstitute.org/>

Isenberg's finance dept. is a partner of the CFA and there are limited scholarships available for those students who want to sit for the three exams.

- (b) Chartered Alternative Investments Analyst: <https://caia.org/>

Isenberg's finance dept. is one of the founders of the CAIA and there are limited scholarships available for those students who want to sit for the two exams.

- (c) Financial Data Professional: <https://fdpinstitute.org/>

- (d) Financial Risk Manager: <https://www.garp.org>

- (e) Certified Financial Planner: <https://www.cfp.net/>