I. Course Objectives and Prerequisites

Business Financial Management is a graduate-level introduction to the basic tools, techniques, and theories that are necessary in order to make sound decisions about how a modern firm should raise and allocate long-term funds. Topics covered in this course include: time value of money, risk and return, net present value, internal rate of return, project analysis techniques, cost of capital, capital structure, and an introduction to the application of option pricing models to capital investment decision making.

Students will be exposed to several well-known financial models, including the Capital Asset Pricing Model, the Modigliani-Miller Propositions, and the Black-Scholes Option Pricing Model. We will utilize various mathematical, statistical, and numerical techniques, including algebra, infinite series, descriptive statistics, linear regression, and Newton iteration. In addition to the above models and techniques, we will cover the economic concepts of market equilibrium, arbitrage, and risk-neutral hedging.

Primary emphasis will be placed on the development of sound intuition that will help the student to make good financial decisions in an increasingly sophisticated, dynamic capital market.

Prerequisites include ACCT 5301, ECON 5309, or their equivalents.

II. Student Learning Outcomes

Upon completion of the course students will be able to:
1. Determine the value of assets and securities using discounted cash flow techniques.
2. Measure risk and factor it into asset valuation.
3. Determine how the firm should finance its fixed assets.
4. Calculate option values for simple financial options.
5. Use option pricing models to value options embodied in capital investments.
III. Course Materials

Required text: *Principles of Corporate Finance, 10th Edition*, by Richard A. Brealey, Stewart C. Myers and Franklin Allen, ISBN: 978-0-07-353073-4 (Just the book. We will not use CDs or other supplement from the publisher.)


IV. Course Content

Lectures: Streaming audio lectures are provided in mp3 format and are designed to clarify and supplement text material. Note: Some clips may have a couple of seconds of silence at the beginning, so don't assume they aren't working.

Notes: Class notes are provided to supplement your readings.

Class Discussion: This forum is a mechanism for you to discuss course materials with me and with one another.

V. Exams and Grading

Your course grade will be based on the simple average of your performance on three exams. These three exams will be timed, 50 question multiple-choice tests covering the readings and lectures. Exams will include computational problems.

Each exam is listed in its own session. You will have three (3) hours to complete each exam. You will be presented with all of the exam questions at once. Some of the exam questions build on previous answers so be sure to keep your notes handy. You are allowed to use your notes and text for the exams. Keep a running tally of your exam responses in the event of a loss of your internet connection.

The Course Calendar lists when each exam is due. You may take any exam early but must have it completed by the deadline. You may want to take the exam early in case you have technical difficulties that you need your instructor to resolve. Tests not submitted by the deadline will receive a score of zero. Technical reasons are not a sufficient excuse for not completing the course according to the deadlines.
indicated. Before you take an exam, please check with the class announcements for additional testing information. The official course grading scale is:

- **A** 75 – 100%
- **B** 50 – 74.99%
- **C** < 50%

**VI. Course Calendar**

**Exam 1: Due by 10:00pm Central Time Wednesday, February 22, 2012**
Exam 1 covers the following units and text chapters (9th Edition in Parentheses):
- Introduction – Chapter 1 (1 and 2)
- Time Value of Money – Chapters 2 and 3 (3 and 4)
- Valuing Common Stocks – Chapter 4 (5)
- Why Choose Net Present Value – Chapter 5 (6)
- Investment Decisions with NPV – Chapter 6 (7)

**Exam 2: Due by 10:00pm Central Time Wednesday, April 4, 2012**
Exam 2 covers the following units and text chapters (9th Edition in Parentheses):
- Risk, Return and the Opportunity Cost of Capital – Chapters 7 and 8 (8 and 9)
- Capital Budgeting – Chapter 9 (10)
- Project Analysis – Chapter 10 (11)
- Leverage and Firm Value – Chapter 17 (18)
- Capital Structure – Chapter 18 (19)

**Cumulative Final Exam: Due by 10:00pm Central Time Wednesday, May 9, 2012**
The final exam covers all previous material and (9th Edition in Parentheses):
- Investment and Financing Interactions – Chapter 19 (20)
- Option Valuation – Chapters 20 and 21 (21 and 22)
- Real Options – Chapter 22 (23)