



**MBA 810—Financial Management  
Winter Quarter 2009  
Professor Rüdiger Fahlenbrach**

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**Class Schedule**

Section 1: Mondays and Wednesdays 10:30 a.m. - 12:18 p.m.  
Room: Gerlach 365

Section 2: Mondays and Wednesdays 1:30 p.m. - 3:18 p.m.  
Room: Gerlach 365

**Professor:**

Rüdiger Fahlenbrach  
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Office Hours:  
Mondays 4:00 – 6:00 p.m.  
Or by appointment

**Teaching Assistant:**

Sid Correa  
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Fridays 10:30 – 12:30pm

**Course Description**

This course is intended to provide a market-oriented framework for analyzing the major types of financial decisions made by corporations. Lectures and readings will provide an introduction to present value techniques, capital budgeting principles and problems, asset valuation, the operation and efficiency of financial markets, and give an overview of corporate financing. Throughout the class, we will solve problems to enhance our understanding of the covered topics. All conceptual issues are brought together through the discussion of two cases.

**Prerequisites**

The prerequisites for this course are a successful completion of MBA 800 (Financial Accounting), MBA 812 (Managerial Economics), and MBA 870 (Statistical Analysis). This is a quantitative class, and you will need to have a basic knowledge of microeconomics, statistics and math. You will need a calculator that has a  $x^y$  function. A financial calculator is not required, but it can help you solve the problems we study faster. In addition, you need a basic command of Microsoft EXCEL in order to write the case reports and do some of the homework.

**Readings**

Required: R.A. Brealey, S.C. Myers, and F. Allen, *Principles of Corporate Finance*, 9th edition, McGraw-Hill, 2007. (Referred to as BMA below).

Recommended: Bruce Swensen, *Solutions Manual to accompany Principles of Corporate Finance by Brealey and Myers*, McGraw-Hill/Irwin, 2007.

The required textbook can be purchased at the OSU bookstore. Those of you with a limited exposure to finance may also find the following additional text useful:

Downes, John, and Jordan Elliot Goodman, *Barron's Financial Guides: Dictionary of Finance and Investment Terms*, 7<sup>th</sup> edition (Barron's Educational Series, 2006)

You will also need to buy the course packet at the Tuttle Park Uniprint. This packet contains the HBS cases, lecture notes for the first two sections, and several additional articles.

I will post all lecture notes and any additional class material on the course web page on Carmen - <https://carmen.osu.edu/>

### **Seating Arrangements**

I would like each of you to sit in the same seat each class. This makes it easier for you to interact during class discussions, and easier for me to keep track of who you are and who participates. Please sit in your preferred seat during the second class session.

### **Evaluation**

There will be one midterm exam and one final exam, which count for 25% and 40%, respectively, of your final grade. The midterm exam will cover all material taught until the date of the exam. The final exam is cumulative – it covers the material of the whole course, although it emphasizes the second half of the course. Both exams will be closed book exams. You will be allowed one 8.5 x 11 page of formulas (which I provide), and a non-programmable calculator. You have to hand in two case reports that will count for 15% of your final grade. There will be five individual problem sets, which will each count for 4% towards your final grade.

The following are the primary principles for evaluation:

- This is a core course. As required by school policy, the average grade in this course will be 3.60 or lower. I expect the average grade to be a B+ (3.30).
- Grading is relative to the performance of your peers. Therefore, there cannot be any extra credit earned.
- The grade distribution is **not** truncated. It is possible to earn any of the official OSU grades (i.e., A to E) in this course.
- Please note that there will not be any make-up exams except as required by university policy. If illness or an emergency should force you to miss an exam, please contact me **before** the exam is given.
- If you have a problem meeting a due date because of a religious holiday, please let me know as soon as possible.

### **Regrading Policy**

All regrade requests must be made **in writing** within one week of the day the exams are returned. Any exam submitted for regrading of a question is subject to a complete regrade. As a result, the regraded score may increase, stay the same, or decrease. A regrade form will be

available for download on the course website. Note that I will not consider any regrade request after the one week deadline has passed.

### **Cases and Problem Sets**

You are strongly encouraged to work on the cases in your assigned groups. Only one case report needs to be handed in for each group. The case reports should be typed in a 12 point font, double-spaced, with at least one inch margins. The case reports should not exceed four pages (excluding spreadsheets and other supporting material). The situations in the cases are naturally more complex than textbook problems, and there are no clearly correct solutions. I will provide fairly detailed guidelines for approaching the cases, and I expect everybody to be able to participate in the class discussion of the cases.

There will be five problem sets. You can talk about the problems in your group, but they need to be handed in individually. The only way you can be sure you understand the class material is to do the problems. The problem sets will consist of questions designed to make sure you have read the material and questions from old exams so that when you get to the midterm and final, you'll know what to expect. It is very important that you do the assignments. Also, the problem sets are the minimum number of problems you should do. If you want to do well in this course, you should also look at the problems in the backs of the chapters of Brealey/Myers/Allen.

### **Class Contributions**

When final grades are determined, I will examine situations where students were very close to the next higher grade. In those cases where students made substantial contributions to the class discussion during the quarter, I will add some bonus points that may improve the grade to the next higher grade (i.e., from B+ to A-).

### **Academic Integrity**

You have affirmed to adhere to the following honor statement:

*As a member of the Fisher College of Business community, I am personally committed to the highest standards of ethical behavior. Honesty and integrity are the foundation from which I will measure my actions. I will hold myself accountable to adhere to these standards. As a leader in the community and business environment, I will pledge to live by these principles and celebrate those who share these ideals.*

In addition, the University's *Code of Academic Integrity* is designed to ensure that the principles of academic honesty and integrity are upheld. All students are expected to adhere to this Code. Please visit the following website for more information on the University's Code of Academic Integrity and possible sanctions: <http://oaa.osu.edu/procedures>. In accordance with University Faculty Rule 3333-5-487, all instances of academic misconduct will be reported to the Committee on Academic Misconduct which recommends appropriate sanctions to the Office of Academic Affairs. There will be no exception to this rule.

### **Acknowledgements**

The lecture notes and other course materials are influenced by those used by Professor Franklin Allen at Wharton, Professor Henrik Cronqvist at Claremont McKenna College, Professor Craig MacKinlay at Wharton, and Professor Patrik Sandas at the University of Virginia.

## Tentative Course Calendar

Note that the schedule for covering material in lectures is tentative. Because of questions we may sometimes run over or under the time allotted.

Section	Day	Date	Topic	Reading	Comments
1, 2	Monday	01/05/09	Course outline, Review of background material, introduction	BMA Ch. 1	
2	Wednesday	01/07/09	Introduction, net present value (NPV) rule	BMA Ch. 2	
3	Monday	01/12/09	Calculating Present Values	BMA Ch. 3	
4	Wednesday	01/14/09	The Valuation of Bonds and Stocks	BMA Ch. 4, 5 WSJ (guide to stock markets)	Problem set 1 due
	Monday	01/19/09			MLK Day – no class
5	Wednesday	01/21/09	Capital Budgeting and the NPV rule	BMA Ch. 6	
5, 6	Monday	01/26/09	A Comparison of Criteria, Practical Aspects of NPV rule	BMA Ch. 6, 7	Problem set 2 due
6	Wednesday	01/28/09	Practical Aspects of NPV rule, continued	BMA Ch. 7	
7	Monday	02/02/09	Measuring Risk, Statistics Review	BMA Ch. 8	Problem set 3 due
7	Wednesday	02/04/09	Mean-Variance Analysis, Diversification and beta	BMA Ch. 8	
8	Monday	02/09/09	Case Discussion, The Capital Asset Pricing Model	BMA Ch. 9	Peach case is due <b>before</b> class
8	Wednesday	02/11/09	Capital Asset Pricing Model, Calculation of Asset Beta	BMA Ch. 9	
	Monday	02/16/09	MIDTERM in class		
9	Wednesday	02/18/09	Ethics and Finance; Capital Budgeting and the CAPM	BMA Ch. 10	Problem set 4 due; Ethics case
9	Monday	02/23/09	Capital Budgeting under risk	BMA Ch. 10, 11.2	
10	Wednesday	02/25/09	Market Efficiency	BMA Ch. 14	
10	Monday	03/02/09	Case Discussion, Market Efficiency continued	BMA Ch. 14	Marriott case is due <b>before</b> class
11	Wednesday	03/04/09	Sources of capital	BMA Ch. 15, 16	
11	Monday	03/09/09	Sources of capital, continued	BMA Ch. 15, 16	
	Wednesday	03/11/09	Course review; sample final exam questions		Problem set 5 due

**Final Exam:** To be determined by GPO.

**All core class finals are taken over three days. Please budget your time accordingly.**