

SOUTHERN METHODIST UNIVERSITY
Edwin L. Cox School of Business

FINA 4325 – Advanced Financial Management

Instructor: Professor Darius Miller
Email: dpmiller@mail.cox.smu.edu
Office Hours: by appointment
Course website: SMU Canvas
Class Time 9am to Noon except excursion days, which will vary

A. BRIEF OVERVIEW

Deliverables: HW assignments due throughout the course (discussions between students allowed).

Laptops: Closed laptop/ipad/phone policy in class and exams. *

Attendance: Mandatory* (This is also a requirement of your visa).

Grade: Final (60%), Homework (15%) Midterm Quiz (15%) Professionalism (10%)*

Text: 3rd edition of Corporate Finance; Berk and DeMarzo; ISBN-13: 978-0-13-342415-7, Pearson

Calculator: **ONLY 2 ALLOWED:** 1. [Texas Instruments BA II Plus](#) (including BA II Plus Professional); 2. [Hewlett Packard 12C](#) (including the HP 12C Platinum and 25th anniversary edition);

B. ASSIGNMENTS, EXAMS, GRADING

Professionalism is the catch-all category in your grade. It means showing up to class on time, not leaving class early, keeping all phones, ipads and computers stored away completely when in class and offering high quality attention and discussion. Each student is expected to be mentally present in class and participate actively in class discussion. Outside of class, it means completing assignments on time, communicating with me and the EUSA staff in a professional manner, and conducting yourself on our field trips as if you were on a business trip.

Assignments

You will have homework problem sets on myfinancelab due before most classes (see descriptor below). You have three chances to get each problem correct (i.e., you get two “similar problem” attempts to raise your score). Both the midterm and the final exam will be largely drawn from these homework assignments. There is nothing to turn in, at the time on the day the problem set is due, work cannot continue on the assignment.

Exams and Evaluation

There will be a midterm and a cumulative final exam. The in-class midterm exam is worth 15% of your class grade, and the final is worth 60%. Since the final is cumulative, if you score higher on the final than on the midterm I will use the higher of the two to count for your midterm score. Myfinancelab homework will be worth 15%. There will also be a component (10%) for class professionalism. This component is met by being physically and mentally present in the class and generally contributing to an active learning environment, which includes NO PHONE CALLS, NO TEXTING, and NO LAPTOPS.

Both the midterm and the final exam are closed book/closed notes, no laptop allowed, no headphones allowed, but do bring your approved calculator. I will provide a list of formulas. Of course, by talking this class, you recognize being bound by both the SMU and the Cox Honor Codes.

Please note that I do not “regrade” exams for partial credit. If there is an obvious error, such in adding up points incorrectly, please turn in your exam to me within one week of when you received it.

Letter grades will be assigned based on the student distribution of the course’s total scores. The grade cutoff points are at my discretion and will be adjusted based on the class’s overall performance.

How to get the most out of this course:

The best predictor of your success in this class is how well you master the myfinancelab homework problems. The attached course outline provides the reading assignment for each class. You should read the assigned chapter(s) in the textbook prior to class.

Class Participation and Attendance

Class lectures will involve working through problems. Therefore, you should bring a calculator and paper to every class.

C. Required Course Materials

MyFinanceLab (ISBN-13: 978-0-13-299359-3): Myfinancelab is a fully integrated homework and tutorial system: <http://myfinancelab.com>. There are several options to procure this.

- Buy standalone access to MyFinanceLab directly by following the register and purchase links at the MyFinanceLab web site.
- Buy a bundled new hardcopy textbook bundled with Myfinancelab from the bookstore or online.

In addition, Pearson provides a short document introducing MyFinanceLab that you should read at the beginning of the course if you have not used the system previously. You will see I have assigned a practice HW that doesn’t count for a grade so can be used to reacquaint yourself with the system.

Textbook: 3rd edition of Corporate Finance; Berk and DeMarzo; ISBN-13: 978-0-13-342415-7, Pearson.¹ You will need access to the textbook in some form (e.g., hard copy, digital, used, rental etc.).

¹ What will **not** work is Corporate Finance: the Core, as it is missing many of the chapters we will cover. Please see me if you have this version of the textbook.

The hardcopy book bundled with myfinancelab access can be purchased at the University Bookstore located on Mockingbird Avenue. You can also buy an etext online from myPearsonstore.com.

Calculator: You will need a financial calculator as I do not allow laptops during exams. I follow the CFA calculator policy without exception: Two business calculator models are authorized for the exams: [Texas Instruments BA II Plus](#) (including BA II Plus Professional); use if you prefer algebraic notation entry [Hewlett Packard 12C](#) (including the HP 12C Platinum and 25th anniversary edition); use if you prefer reverse Polish notation entry. There are no exceptions to this policy, any other calculator will not be allowed.

Please note that cell phone calculator applications cannot be used in exams or in class.

D. COURSE OVERVIEW

Course Description

The objective of FINA 4325 is to help you understand the tools and concepts that form the basis of modern finance theory. This course builds on the basics of financial management learned in FINA 3320 (“Managerial Finance”). While 3320 mainly focused on the investment decision and assets of the firm, 6205 will primarily consider the liabilities and equity of the firm. The main topics covered include (1) capital structure; (2) cost of capital; (3) firm valuation; (4) dividend policy; (5) basics of options pricing and real options; and (6) risk management.

Course Prerequisites

FINA 3320.

Learning Outcomes

Students completing this course should:

1. Understand the theory and practice of capital structure decisions.
2. Understand if and how payout policies affect shareholder wealth.
3. Be comfortable with basic insights from modern option pricing theory.
4. Be comfortable with basic risk management principles.

E. OTHER POLICIES:

Disability Accommodations

Students needing academic accommodations for a disability must first be registered with Disability Accommodations & Success Strategies (DASS) to verify the disability and to establish eligibility for accommodations. Students may call 214-768-1470 or visit www.smu.edu/alec/dass.asp to begin the process. Once registered, students should then schedule an appointment with me to make appropriate arrangements. (See University Policy No. 2.4)

Religious Observance

Religiously observant students wishing to be absent on holidays that require missing class should notify me in writing in the beginning of the semester, and should discuss with me, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9)

Excused Absence for University Extracurricular Activities

Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with me prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue)

Honor Code

Students are bound by The Honor Codes of the University and the Cox School of Business. Please visit http://smu.edu/studentlife/studenthandbook/PCL_05_HC.asp for the University Honor Code and <http://www.cox.smu.edu/web/full-time-mba-students/honor-code> for the Cox School Honor Code.

Laptops, PDAs, Phones

Students are bound by the following policies concerning –

- Mobile phones, PDAs and smart-phones: they need to be shut off or set to silent mode during class session and stored out of view. Telephone calls, sending or reading text messages or e-mails are not permitted while the class is in session.
- Violation of the policies can lower the class citizenship component of course grade.

D. COURSE OUTLINE AND TENTATIVE SCHEDULE:

The following is the course schedule. Please be aware that this is tentative and subject to change at my discretion at any point in time. If I make any changes, I will announce this in class and on the course website. You are responsible for the class announcements, even if you miss class for any reason.

Class	DATE	TOPIC(S)	Readings	MyFinanceLab Deliverable
Class 1	June 01	Introduction Capital Structure: MM	Chapter 14	
Class 2	June 02	Capital Structure: Real World	Ch. 15 con't, 16	
Class 3	June 03	Capital Structure Continued		HW1a,b
Class 4	June 06	NY VS London Trading Financing and Firm Valuation	Chapter 18 (thru 18.5)	HW2
Excursion	June 07	Financial Tour of London		
Class 5	June 8	Ch. 18 Continued		HW3
Class 6	June 10	Midterm Review and Exam		HW4
Class 7	June 13	International Finance		
Excursion	June 14	Bank of England Museum		
Class 8	June 15	Payout Policy	Chapter 17	
Class 9	June 17	Options	Chapters 20, 21	HW5
Class 10	June 20	Real Options	Chapter 22	HW6
Class 11	June 21	Real Options Con't		
Excursion	June 22	Bloomberg London		
Class 12	June 24	FINAL EXAM		HW7