

SHANGHAI UNIVERSITY OF FINANCE AND ECONOMICS

**Fin 0003
Introduction to Financial Management**

**John L. Teall
Summer 2019**

COURSE OBJECTIVES:

The primary objective of this course is to provide the student with an introduction to the theoretical background and analytical tools necessary to sound financial decision-making. Other objectives include: 1) Preparing the student for more advanced work in finance, investments and accounting and 2) Providing breadth of coverage particularly for those students not intending to take additional course work in finance. After successfully completing this course, the student should be able to:

1. Apply time value of money concepts to investment decision-making
2. Perform calculations pertinent to lending and borrowing scenarios
3. Perform elementary return and risk calculations
4. Articulate concepts and perform calculations related to diversification and elementary portfolio analysis
5. Participate competently in the business capital budgeting decision-making process
6. Apply simple ratios to evaluate financial strengths and weaknesses

PREREQUISITES:

Elementary college-level mathematics, Statistics (preferred), and Microeconomic Principles (preferred).

READING MATERIAL:

Teall, John. "Finance: An Introductory Text," 2019 (unpublished coursepack available through the Course Website at <http://www.jteall.com>)

Questions, problems, and exercises are available through the Course Website at <http://www.jteall.com>

Lecture slides are available through the Course Website at <http://www.jteall.com>

Miscellaneous Class Handouts (will also be available on the Web)

Lecture Spreadsheets (will also be available on the Web)

GRADING POLICY

Students will be graded on the basis of the following point system:

Exam I.....	70 points
Class Participation.....	<u>30 points</u>
Total.....	100 points

"Full marks" for this course is 100 points, "Pass" is more than 60 and "Fail" is less than 60. Students are expected to read relevant material and complete relevant problems before each class meeting. Questions concerning these materials will be welcome. Additional readings and problems may be assigned periodically for classroom discussion. Students' participation in such will be used to determine the class participation component of the student's grade. It is important

that students read relevant material before lectures and be aware of the rules concerning exam integrity at <http://www.jteall/integrity.htm>.

COURSE MEETING LOCATION AND TIMES:

Monday, 8 July to Thursday, 11 July

Room 113, Teaching Building 3

Exam Thursday, 11 July

OFFICE HOURS AND CONTACT DETAILS:

Students are encouraged to speak with the instructor to resolve any difficulties that they might experience with the course or to seek any course or professional assistance that might be helpful. If the times below are not convenient or sufficient, students should approach the instructor about scheduling alternative times.

Office hours/after-class hours are to be announced

e-mail: jteall@jteall.com

Course Web Page: <http://www.jteall.com>

Skype: johnlteall

GRADUATE ASSISTANT:

To be announced

COURSE OUTLINE

Finance 0003

Introduction To Financial Management

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1. Introduction to Financial Management And Markets

- 1.A: Corporate Governance and Financial Objectives
- 1.B: A Brief Introduction to the Financial Environment
- 1.C: Financial and Economic Models

2. Interest and Future Value

- 2.A: Introduction
- 2.B: Calculation of Simple Interest
- 2.C: Calculation of Compound Interest
- 2.D: Fractional Period Compounding of Interest
- 2.E: Continuous Compounding of Interest
- 2.F: Future Values of Annuities
- 2.G: Conclusion

3. Present Value And Securities Valuation

- 3.A: Introduction
- 3.B: Deriving The Present Value Formula
- 3.C: Present Value of a Series of Cash Flows
- 3.D: Annuity Models
- 3.E: Bond Valuation
- 3.F: Perpetuity Models
- 3.G: Growing Perpetuity And Annuity Models
- 3.H: Stock Valuation
- 3.I: Amortization
- 3.J: Conclusion

4. Return And Risk

- 4.A: Introduction
- 4.B: Return on Investment: Arithmetic Mean
- 4.C: Return Measurement: Geometric Mean
- 4.D: Internal Rate of Return
- 4.E: Bond Yields
- 4.F: Introduction to Risk
- 4.G: Expected Return
- 4.H: Variance And Standard Deviation
- 4.I: Historical Variance And Standard Deviation
- 4.J: Covariance
- 4.K: Coefficient of Correlation
- 4.L: The Market Portfolio
- 4.M: Conclusion

5. Portfolios, Efficiency And The Capital Asset Pricing Model

- 5.A: Introduction
- 5.B: Portfolio Return
- 5.C: Portfolio Variance
- 5.D: Global Portfolio Diversification
- 5.E: Efficiency And Dominance
- 5.F: Construction of The Efficient Frontier
- 5.G: The Risk-free Asset
- 5.H: The Capital Market Line
- 5.I: Introduction to The Capital Asset Pricing Model
- 5.J: Systematic And Unsystematic Risk
- 5.K: Risk Adjusted Discount Rates

6. Capital Budgeting

- 6.A: Introduction
- 6.B: The Payback Method
- 6.C: Expected Versus Required Return Method
- 6.D: The Net Present Value Method
- 6.E: The Profitability Index Method
- 6.F: Important Capital Budgeting Decision Factors
- 6.G: Example I: Merger Decision
- 6.H: Example II: New Equipment Decision
- 6.I: Example III: Equipment Replacement Decision
- 6.J: Example IV: The Lease Versus Buy Decision
- 6.K: Conclusions

7. Ratio And Financial Statement Analysis

- 7.A: Introduction to Financial Statement Analysis
- 7.B: Pro-forma Statements
- 7.C: Ratio Analysis
- 7.D: Misreading and Misleading Financial Statements
- 7.E. Comparables-Based Valuation

8. Leverage (depth of coverage depends on time available)

- 8.A: Introduction
- 8.B: Business Risk
- 8.C: Financial Risk
- 8.D: Financing Decision Example

9. Cost of Capital (depth of coverage depends on time available)

- 9.A: Introduction
- 9.B: Cost of Capital Definitions - No Taxes
- 9.C: Cost of Capital Definitions - Taxes