

University at Albany

School of Business

BFIN 525 – Financial Management

Fall 2006

Classes 3823 and 3824

M 5:45 PM – 8:35 PM

and W 5:45 PM – 8:35 PM

Professor Ross Miller

E-mail: rmmiller@uamail.albany.edu

Office: BA 318

Office hours: MW 4:30 PM –5:30 PM and by appt.

Phone/Voice Mail: 442-3020

Fin 525 Mission Statement

To give every student a practical understanding of how the world of finance works.

Course Objectives and Learning Outcomes

- This course is designed to provide a basic working knowledge of three major topic areas:
 - The time value of money (debt markets)
 - Risk/return tradeoffs in asset portfolios (equity markets)
 - Capital budgeting (valuation of “real” capital projects)
- These three topic areas are approached in a way that provide maximum value to all students, including those with no interest other than their own personal finances
- The course will acquaint students with the following securities, the markets in which they trade, and how they are valued:
 - Bank time deposits (CDs, etc.)
 - Currency (including spot and forward markets for foreign currency)
 - Debt securities denominated in non-dollar currencies
 - Gold futures and related futures and forward contracts
 - Treasury bills
 - Treasury STRIPS
 - Treasury notes and bonds
 - Corporate and municipal bonds
 - Common stock
 - Common stock portfolios
 - Open-end mutual funds
 - Exchanged-traded funds (ETFs)
 - Portfolios that contain multiple types of assets, such as lifestyle mutual funds

Grading

The raw grade for the course is the average of the best three of the following four grades:

- Midterm exam (Week 6 class session)
- Stock valuation and pricing exercise (details forthcoming in Week 5)
- 401(k) group project (details forthcoming in Week 5)
- Optional final exam (Week 13 class session)

All exams are open book and calculators (but not computers, PDAs, cell phones, etc.) are permitted. Class participation and evidence of improvement will influence grades of students with grades near the border between two grades.

Required Reading

Fin 525 uses a custom textbook from McGraw-Hill/Irwin that covers roughly 50% of the course material. The textbook is ISBN 0-390-58002-3 and contains Chapters 4-6 and 15-17 of *Corporate Finance, Seventh Edition* by Ross/Westerfield/Jaffe and Chapters 5-10 of *Investments, Sixth Edition* by Bodie/Kane/Marcus. We will cover most, though not all, of the text material.

The remaining 50% of the course material will come from the class discussion, the *Wall Street Journal*, and various materials available for free on the Internet. To keep the course in sync with current financial events, some readings are assigned as little as a week before the class meeting in which they are covered. Students who wish to subscribe to the *Wall Street Journal* at specially discounted student rates can click the following links for either a [10-week subscription](#) for \$13.95 or a [15-week subscription](#) for \$19.95 (the UAlbany zip code is 12222).

Online and Computational Material

The main source for course material, including assignments and project/course grades, is WebCT. To assist students who have trouble logging into WebCT at work, course slides are also posted at <http://home.earthlink.net/~millerrisk/FinanceNotes.htm>.

Students should have access to a computer that is able to view files in Acrobat/PDF, Word, PowerPoint, and Excel formats. The professor will prepare all material using Microsoft Office 2003; however, versions of Office as far back as Office 2000 should be adequate for use in this course. Most web pages referred to in this class should be viewable by a recent release of the two major browsers, Internet Explorer and Firefox; however, a few pages may only work with Internet Explorer or may require that Java be installed.

All assigned problems and exam questions are designed to be answered using only a simple calculator with a square root key and a single memory. Use of a scientific or financial calculator will be useful to students who are proficient with them. The professor is opposed to the (ab)use of financial calculators, but is tolerant of students who employ them.

Class Calendar (subject to revision)

Week	Monday	Wednesday	Topic
1	September 11	September 6	Introduction to the Course and to the Concept of Money
2	September 18	September 13	More Money: Domestic and International
3	September 25	September 20	Gold, Treasury Bills, and Treasury STRIPS
4	October 9	September 27	Treasury Bonds and Duration
5	October 16	October 4	Mortgages, Credit, Midterm Review, and Project Info
6	October 23	October 11	Midterm Exam
7	October 30	October 18	Common Stock
8	November 6	October 25	Asset Pricing Models
9	November 13	November 1	Mutual Funds, ETFs, and Defined Contribution Plans
10	November 20	November 8	Portfolio Optimization I
11	November 27	November 15	Portfolio Optimization II & Capital Budgeting I
12	December 4	November 29	Capital Budgeting II
13	December 11	December 6	(Optional) Final Exam

Important Due Dates

Sunday, November 12: E-mailed part of the stock prediction and hedging exercise due at 6 PM for both sections

Monday, November 13 and Wednesday, November 15: Written part of the stock prediction and hedging exercise due at start of class

Monday, December 4 and Wednesday, November 29: 401(k) project due at start of class

Administrative Details

Fin 525 will strictly adhere to the academic policies of the University at Albany School of Business including those concerning cheating, plagiarism, classroom disruptions, and the granting of incomplete grades.

The classroom experience is a critical part of the course, so students should not register for the course unless they expect to be able to attend virtually all classes. Every reasonable effort will be made to manage the two sections of Fin 525 so that they cover the same material in the same "Weeks." A student unable to attend his or her section for a given week is free to attend the other section if space permits.

There are no scheduled make-up exams for Fin 525. A student who cannot make the scheduled exam time can request permission to take the exam with the other section of Fin 525. Special arrangements may be made for a student who cannot make either exam meeting time and who meets the university's requirements for a valid absence. Because of the relatively large size of the Monday section, its midterm examination may be administrated in a classroom other than the

one where class normally meets. Finally, it is expected that all students in the course meet the requirements for admission to the Evening MBA program. In particular, all students are expected to have at least three years of “real-world” work experience (or reasonable equivalent).

Occasionally, students request that special administrative action be taken, for example, the granting of a grade of incomplete (I) for the course. Such requests should be made in a timely manner **via e-mail** as well as through direct contact with the professor. You should assume that anything the professor says that is not backed up with a confirming e-mail communication is not binding upon him or the university. (As the lawyers say, “Get it in writing.”)