**Course Syllabus**

**Spring 2022**

**<Dr. Yaqoub Ahmad Baqer Alabdullah>**

**FIN 327 – Intermediate Financial Management**

**Lecture Time and Location:**

**FIN 327/06** : Mondays and Wednesdays 2:00 – 3:15 pm Room #  **1029B1**

**FIN 327/02** : Mondays and Wednesdays 3:30 – 4:45 pm Room #  **1020B1**

**Contact Information:**

**Location** : Department of Finance & Financial Institutions – CBA – Shudadeya campus

**Email** : [yaqoub.alabdullah2@ku.edu.kw](mailto:yaqoub.alabdullah2@ku.edu.kw)

**Phone #**  : You can call me on MS Teams

**Office Hours** : Half an hour before the 2:00pm class or by appointment

**Website** : [www.ybaqer.com](http://www.ybaqer.com)

**MS Teams** :Please join our team for all class materials.

**Teaching Assistant:** TBA

**Course Description:**

This course builds on the concepts covered in the Principles of Financial Management course. It examines the basis of financial decisions made by companies, emphasizing the following: theories of asset valuation; the cost of capital; risk analysis; real options; capital structure; dividend policies; working capital management; derivatives; multinational financial management; mergers and acquisitions.

This is not a “how to” course. This is a “why do” course. By way of analogy, think of the set of plans for a building. Both an architect and a draftsman can read the plans and even copy the plans with minor changes. But an architect can do more than a draftsman can do. When it is time to design a completely new building that responds creatively to the needs of the client and the context of the built and natural environment, you want an architect. I am here to train financial architects—not draftsmen. Please do not expect to learn a cookbook of formulas that you plug numbers into. (Now that we have macros in Excel, no one will pay a salary for that skill.) Expect to learn a few simple, but powerful, intuitions and be able to apply them creatively to a variety of new situations. Finance is such a rapidly changing area that you would be poorly served with a set of rote formulae—such knowledge would be rapidly obsolete.

**Course Learning Outcomes:**

The learning outcomes for this course, listed below, relate to the learning goals of the College of Business Administration Undergraduate Program, which can be found in the appendix at the end of this syllabus. The numbers in parenthesis indicate to which specific learning goal the outcome relates.

Upon successful completion of the course, students will:

1. Be able to analyze and solve financial problems. (LG5)
2. Be able to use capital budgeting methods (i.e. NPV, IRR, MIRR, PBP, etc.) to solve financial problems. (LG2, LG5)
3. Be able to analyze project risk. (LG5)
4. Understand real options and what they mean to the firm. (LG2)
5. Understand a firm's optimal capital structure and dividend policy and how they affect firm value. (LG2, LG5)
6. Have a basic understanding of multinational financial management.
7. Have a basic understanding of mergers and acquisitions. (LG2, LG5)
8. Have a basic understanding of derivatives and their pricing.

**Required Material:**

**Textbook** : Brigham, Eugene F., and Joel F. Houston. *Fundamentals of Financial*

*Management*. 12th, 13th, 14th, or 15th ed. Mason: South-Western

**Additional Material** :

* Brigham, Eugene F., and Joel F. Houston. *Fundamentals of Financial*

*Management: Study Guide*. N.p.: Mason, Ohio, 2012. Print.

* Other material, including course PPT Slides are available on MS Teams.
* Financial Calculator

**Course Requirements and Policies:**

**Expectations:** I expect every student to read the chapter before and after the class. I do not expect you to depend on PowerPoint slides for your studying. I expect you to attend each class and participate in discussions. I expect you to do your assignments on time and attend the tutorials.

**Quizzes:** I will give some quizzes throughout the semester, so you should always be prepared. We will use Moodle for the quizzes.

**Exams:** There will be two midterm exams and a final. The dates of the exams are as follows:

|  |  |  |
| --- | --- | --- |
| **Date** | **Event** | **Notes** |
| **Mon 11-4-2022** | **Exam 1 (Ch 12, 13 & 14)** | Time and place TBA |
| **Mon 16-5-2022** | **Exam 2 (Ch15, 16 & 18 )** | Time and place TBA |
| **Tue 7-6-2022** | **Final (comprehensive)** | in a place TBA 8:00-10:00 am |

**Attendance:** I will not take attendance each class. However, your attendance is highly encouraged since I will give quizzes in some classes and I might cover something that is not covered in your textbook. Each student must abide by KU’s bylaws and the student guide. A copy of the student guide can be accessed online on:

<http://www.kuniv.edu/cs/groups/ku/documents/ku_content/kuw055940.pdf>

**Cheating and Plagiarism:** Every student in this course must abide by the Kuwait University Policy on Cheating and Plagiarism (published in the Student Guide, Chapter 3, Section 2). A copy of the student guide can be accessed online on:

<http://www.kuniv.edu/cs/groups/ku/documents/ku_content/kuw055940.pdf>

Please carefully note all sources and assistance when you turn in your work. Under no circumstances should you take credit for work that is not yours. You should neither receive nor give any unauthorized assistance on any deliverable. If you have any questions about what constitutes “unauthorized assistance” please email me before the deliverable is submitted.

**Grading:**

The scores in this course will be the weighted average of the following items:

|  |  |
| --- | --- |
| **Weight** | **Description** |
| 50% | Two Midterm exams |
| 35% | Final Exam |
| 10% | Bonuses and participation |
| 15% | Quizzes |
| 110% | TOTAL |

The above is subject to change. I will give you more information later.

**Grade Distribution:**

|  |  |
| --- | --- |
| **Grade** | **Range** |
| A | ≥ 95 |
| A- | ≥ 90 and < 95 |
| B+ | ≥ 87 and < 90 |
| B | ≥ 83 and < 87 |
| B- | ≥ 80 and < 83 |
| C+ | ≥ 77 and < 80 |
| C | ≥ 73 and < 77 |
| C- | ≥ 70 and < 73 |
| D+ | ≥ 65 and < 70 |
| D | ≥ 60 and < 65 |
| F | < 60 |

**Course Outline:**

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| --- | --- |
| **Title** | **Topics** |
| Cash Flow Estimation and Risk Analysis  ***(CFA TOPIC)*** | Identification of Relevant Cash Flows in Capital Budgeting Analysis • Cash Flow Estimation • Calculation of Capital Budgeting Metrics • Measuring Risk and Adjusting WACC • Mutually Exclusive Projects • Unequal Lives Projects |
| Real Options and Other Topics in Capital Budgeting  ***(CFA TOPIC)*** | What are Real Options? • Analysis and Influence of Real Options • NPV and Size of a Firm’s Capital Budget • Optimal Capital Budget • Post-Audit |
| Capital Structure and Leverage  ***(CFA TOPIC)*** | Determining the Target Capital Structure • Business Risk vs. Financial Risk • How Debt Affects Expected Return and Risk • Determining the Optimal Capital Structure • Capital Structure Theory |
| Distributions to Shareholders: Dividends and Share Repurchases  ***(CFA TOPIC)*** | Dividends vs. Capital Gains • Trade-Offs in the Establishment of Optimal Dividend Policies • Stock Splits vs. Stock Dividends • Stock Repurchases and their Effects • Pros and Cons of Stock Repurchases |
| Working Capital Management  ***(CFA TOPIC)*** | Effect of Current Assets and Current Liabilities on Profitability • Cash Conversion Cycle • Construction of the Cash Budget • Working Capital Management • Credit Policies • Financing Working Capital |
| Derivatives and Risk Management  ***(CFA TOPIC)*** | Why Manage Risk? • Introduction to Derivatives • Types of Derivatives • How Derivatives are Used to Manage Risk • Black-Scholes Option Pricing Model • Risk Management Processes |
| Multinational Financial Management | Why Companies go “Global”? • Exchange Rates • Interest Rate Parity • Purchasing Power Parity • Pros and Cons of Investing Overseas • Challenges Facing Multinational Corporations |
| Mergers and Acquisitions  ***(CFA TOPIC)*** | Rationale for Mergers • Types of Mergers • Merger Valuation • Merger Analysis • Do Mergers Create Value? |

This is the course schedule. It is subject to change

|  |  |  |
| --- | --- | --- |
| **Course Schedule** | | |
| Mon | 7-Mar-22 | Introduction + Chapters 12: Cash flow estimation and risk analysis |
| Wed | 9-Mar-22 | Chapters 12: Cash flow estimation and risk analysis |
| Mon | 14-Mar-22 | Chapters 12: Cash flow estimation and risk analysis |
| Wed | 16-Mar-22 | Chapters 12: Cash flow estimation and risk analysis |
| Mon | 21-Mar-22 | Chapters 12: Cash flow estimation and risk analysis |
| Wed | 23-Mar-22 | Chapters 13: Real options and other topics in capital budgeting |
| Mon | 28-Mar-22 | Chapters 13: Real options and other topics in capital budgeting |
| Wed | 30-Mar-22 | Chapter 14: Capital structure and leverage |
| Mon | 4-Apr-22 | Chapter 14: Capital structure and leverage |
| Wed | 6-Apr-22 | Chapter 15: Distributions to shareholders: dividends and share repurchases |
| **Mon** | **11-Apr-22** | **Exam 1** |
| Wed | 13-Apr-22 | Chapter 15: Distributions to shareholders: dividends and share repurchases |
| Mon | 18-Apr-22 | Chapter 16: Working capital management |
| Wed | 20-Apr-22 | Chapter 16: Working capital management |
| Mon | 25-Apr-22 | Chapter 18: Derivatives and risk management |
| Wed | 27-Apr-22 | Chapter 18: Derivatives and risk management |
| Mon | 2-May-22 | Holiday |
| Wed | 4-May-22 | Holiday |
| Mon | 9-May-22 | Chapter 18: Derivatives and risk management |
| Wed | 11-May-22 | Chapter 18: Derivatives and risk management |
| **Mon** | **16-May-22** | **Exam 2** |
| Wed | 18-May-22 | Chapter 19: Multinational financial management |
| Mon | 23-May-22 | Chapter 19: Multinational financial management |
| Wed | 25-May-22 | Chapter 21: Mergers and Acquisitions |
| Mon | 30-May-22 | Chapter 21: Mergers and Acquisitions |
| Wed | 1-Jun-22 | Review |
| **Tue** | **7-Jun-22** | **Final Exam (8:00am-10:00am). Place TBD** |