Syllabus(tentative)	Subject	FIN 830 Financial management – 3KU credits (6ECTS)
	Department	Economics and Management
	Program	Graduate
	Term	Spring 2023
	Instructor	Fateh Israfilzada
	E-mail	fateh.israfilzada@khazar.org
	Classroom/hours	Bashir Safaroglu 122
Language	English	
Prerequisites	**ACC 801** Financial Accounting	
Compulsory/Elective	Compulsory	
Textbooks and course materials	***Core Textbooks:*** Financial Management 1. Elaine Henry, PhD, CFA, is at Stevens Institute of Technology (USA). Thomas R Robinson, PhD, CFA, CAIA, Robinson; “Global Investment Management” (USA), (2022) 2. “Corporate Finance” - Yves Courtois, CMT, MRICS, CFA, is at KPMG (Luxembourg). Gene C. Lai, PhD, is at the University of North Carolina at Charlotte (USA). Pamela Peterson Drake, PhD, CFA, James Madison University, 2022 - CFA Level I (Relevant topics)	
Course outline	Financial management is one of the most crucial units taught at the university. It covers broad areas of finance, such as corporate finance, equity, derivatives, risk management, as well as financial analysis. Financial management course really covers lots of materials to study, yet extremely interesting and exciting portions of them. All lessons are organized in a practical way so that students understand all relevant concepts, tools, processes, as well as analysis. Within every lecture the students will be introduced tests, case studies, practical Q&A sessions etc.	
Course objectives	To develop knowledge and understanding of management accounting techniques to support management in planning, controlling and monitoring performance in a variety of business contexts.	
Learning Outcomes	• Understand the idea of firm’s stakeholders, as well as conflicts between them to be mitigated • See the rationale behind incorporation of ESG factors to the portfolio • Understand how firm’s management allocates the firm’s capital to various activities • Use different investment appraisal methods in figuring out profitability of projects • Understand firm’s operating, working capital cash-flows, as well as short-term and long-term funding. • Practically know how firm’s raise the capital to fund its businesses or finance its growth • Understand how target capital structure is developed • Calculate various measures of leverage • Conduct financial analysis • Explore cash flow statement • Understand basic risk management tools • Get information regarding derivative markets and instruments • Know basic tools of equity valuation	
Teaching methods	**Case analysis**	X
	Lecture	X

	Problem Solving		X
Evaluation Criteria	**Methods**	**Date/deadlines**	**Percentage (%)**
	Midterm Exam		30
	Activity		5
	Attendance		5
	Homework/Case analysis		20
	Final Exam		40
	Total		100
Policies	**Activity/Attendance.** Because of the once-a-week course format, students are expected to attend all sessions. If you have an absence, take responsibility for making up assignments and for obtaining missed lecture information. Participation is important for doing well in the course. You'll be graded for your active engagement with the material and your peers. The activity and participation will account for 10 % of the total course grade. **Class preparation.** Students are responsible for: 1) reading the assigned materials; 2) taking the initiative to ask questions that promote understanding of the academic subject; 3) communicating regularly with the instructor, especially in matters related to class assignments. **Homework/Case analysis.** The structure and format of the homework may include multiple choice and open-ended questions. Analysis of the assigned case will be conducted by each student. Homework and case analysis will account for 20 % of the final grade. **Cheating/Plagiarism.** Academic integrity is fundamental to the activities and principles of a university. Breaches of the academic integrity will lead to assignment cancellation. When in doubt about plagiarism or any other form of cheating, consult the course instructor.		

Tentative Schedule

Week	**Date (tentative)**	**Topics**	**Textbook/Assignments**
1		**Corporate governance and other ESG considerations** • describe corporate governance. • describe a company's stakeholder groups, and compare interests of stakeholder groups. • describe principal–agent and other relationships in corporate governance and the conflicts that may arise in these relationships. • describe stakeholder management. • describe mechanisms to manage stakeholder relationships and mitigate associated risks. • describe functions and responsibilities of a company's board of directors and its committees. • describe market and non-market factors that can affect stakeholder relationships and corporate governance. • identify potential risks of poor corporate governance and stakeholder management and identify benefits from effective corporate governance and stakeholder management. • describe factors relevant to the analysis of corporate	Corporate issuers (Chapter 1)

		governance and stakeholder management. • describe environmental and social considerations in investment analysis. • describe how environmental, social, and governance factors may be used in • investment analysis.	
2		**Capital investment** • describe the capital allocation process and basic principles of capital allocation. • demonstrate the use of net present value (NPV) and internal rate of return (IRR) in allocating capital and describe the advantages and disadvantages of each method. • describe and calculate other investment appraisal methods • describe expected relations among a company's investments, company value, and share price. • describe types of real options relevant to capital investment. • describe common capital allocation pitfalls.	Corporate issuers (Chapter 2)
3		**Sources of capital** • describe types of financing methods and considerations in their selection. • describe primary and secondary sources of liquidity and factors that influence a • company's liquidity position. • compare a company's liquidity position with that of peer companies. • evaluate choices of short-term funding.	Corporate issuers (Chapter 3)
4		**Cost of capital** • calculate and interpret the weighted average cost of capital (WACC) of a company. • describe how taxes affect the cost of capital from different capital sources. • calculate and interpret the cost of debt capital using the yield-to-maturity approach and the debt-rating approach. • calculate and interpret the cost of noncallable, nonconvertible preferred stock. • calculate and interpret the cost of equity capital using the capital asset pricing • model approach and the bond yield plus risk premium approach. • explain and demonstrate beta estimation for public companies, thinly traded public • companies, and nonpublic companies. • explain and demonstrate the correct treatment of flotation costs.	Corporate issuers (Chapter 4)
5		**Capital structure** • describe how a company's capital structure may change over its life cycle. • explain the Modigliani–Miller propositions regarding capital structure. • describe the use of target capital structure in estimating WACC, and calculate and interpret target	Corporate issuers (Chapter 5)

		capital structure weights. • explain factors affecting capital structure decisions. • describe competing stakeholder interests in capital structure decisions.	
6		**Measures of leverage** ▪ define and explain leverage, business risk, sales risk, operating risk, and financial risk and classify a risk. ▪ calculate and interpret the degree of operating leverage, the degree of financial leverage, and the degree of total leverage. ▪ analyze the effect of financial leverage on a company's net income and return on equity. ▪ calculate the breakeven quantity of sales and determine the company's net income at various sales levels. ▪ calculate and interpret the operating breakeven quantity of sales.	Corporate issuers (Chapter 6)
7		**Time value of money** ▪ interpret interest rates as required rates of return, discount rates, or opportunity costs. ▪ explain an interest rate as the sum of a real risk-free rate and premiums that compensate investors for bearing distinct types of risk. ▪ calculate and interpret the effective annual rate, given the stated annual interest rate and the frequency of compounding. ▪ calculate the solution for time value of money problems with different frequencies of compounding. ▪ calculate and interpret the future value (FV) and present value (PV) of a single sum of money, an ordinary annuity, an annuity due, a perpetuity (PV only), and a series of unequal cash flows.	QM (Chapter 1)
8		**Mid-term Exam.**	
9		**Overview of equity securities** ▪ describe characteristics of types of equity securities. ▪ describe differences in voting rights and other ownership characteristics among different equity classes. ▪ compare and contrast public and private equity securities. ▪ describe methods for investing in non-domestic equity securities. ▪ compare the risk and return characteristics of different types of equity securities. ▪ explain the role of equity securities in the financing of a company's assets. ▪ contrast the market value and book value of equity securities. ▪ compare a company's cost of equity, its (accounting) return on equity, and investors' required rates of return.	Equity (Chapter 4)
10		**Equity valuation: concepts and tools** ▪ evaluate whether a security, given its current market	Equity (Chapter 6)

		price and a value estimate, is overvalued, fairly valued, or undervalued by the market. ▪ describe major categories of equity valuation models. ▪ describe regular cash dividends, extra dividends, stock dividends, stock splits, reverse stock splits, and share repurchases. ▪ explain the rationale for using present value models to value equity and describe the dividend discount and free-cash-flow-to-equity models. ▪ calculate the intrinsic value of a non-callable, non-convertible preferred stock. ▪ calculate and interpret the intrinsic value of an equity security based on the Gordon (constant) growth dividend discount model or a two-stage dividend discount model, as appropriate. ▪ identify characteristics of companies for which the constant growth or a multistage dividend discount model is appropriate. ▪ explain the rationale for using price multiples to value equity, how the price to earnings multiple relates to fundamentals, and the use of multiples based on comparables. ▪ calculate and interpret the following multiples: price to earnings, price to an estimate of operating cash flow, price to sales, and price to book value. ▪ describe enterprise value multiples and their use in estimating equity value. ▪ describe asset-based valuation models and their use in estimating equity value. ▪ explain advantages and disadvantages of each category of valuation model.	
11		**Introduction to risk management** ▪ Analyze basic risk management concepts and tools	Portfolio Management (Chapter 4)
12		**Understanding cash flow statements** ▪ compare cash flows from operating, investing, and financing activities and classify ▪ cash flow items as relating to one of those three categories given a description of the items. ▪ describe how non-cash investing and financing activities are reported. ▪ contrast cash flow statements prepared under International Financial Reporting Standards (IFRS) and US generally accepted accounting principles (US GAAP). ▪ compare and contrast the direct and indirect methods of presenting cash from operating activities and describe arguments in favor of each method. ▪ describe how the cash flow statement is linked to the income statement and the balance sheet. ▪ describe the steps in the preparation of direct and indirect cash flow statements, including how cash flows can be computed using income statement and balance sheet data.	FSA (Chapter 5)

		▪ analyze and interpret both reported and common-size cash flow statements ▪ calculate and interpret free cash flow to the firm, free cash flow to equity, and performance and coverage cash flow ratios	
13		**Financial analysis techniques** ▪ describe tools and techniques used in financial analysis, including their uses and limitations. ▪ identify, calculate, and interpret activity, liquidity, solvency, profitability, and valuation ratios. ▪ describe relationships among ratios and evaluate a company using ratio analysis. ▪ demonstrate the application of DuPont analysis of return on equity and calculate and interpret effects of changes in its components. ▪ calculate and interpret ratios used in equity analysis and credit analysis.	FSA (Chapter 6)
14		**Introduction to derivatives** ▪ Understand and differentiate between two big groups of derivatives – forward commitments and options ▪ Understand and apply the basic pricing and valuation of derivatives	Derivatives (Chapter 1)
15		Introduction to derivatives □ Understand and differentiate between two big groups of derivatives – forward commitments and options □ Understand and apply the basic pricing and valuation of derivatives **Revision**	Derivatives (Chapter 1)
		Final exam	