

EM 533 Managerial Finance

Objective: The objective of the course is to review the fundamental concepts and techniques of financial management such as financial planning, valuation of corporate securities, portfolio theory, and capital budgeting. A basic knowledge of these techniques is required for proper decision making and improving the financial performance of firms.

Texts:

Weston, J.F., Brigham, E.F., *Essentials of Managerial Finance*, Ninth Edition, The Dryden Press, 1990.

Higgins, R.C., *Analysis for Financial Management*, Fourth Edition, Irwin, 1995.

Semester grades will be determined on the following approximate bases:

Midterm exam	30%
Project [†]	20%
Final exam	<u>50%</u>
	100%

[†] Each group of students (each group is formed of two students) is expected to analyze a firm quoted in Istanbul Stock Exchange (IMKB) and write an approximately 10-page report on the financial performance of the selected firm. Details regarding the contents and format of the report will be provided by the instructor. Each group will present his/her study during the last week of the semester.

Week Nr.	Topic
1	- Introduction and organization - Overview of financial statements
2	- Sources and uses statement - Cash flow statement - Inflation and the assessment of company performance
3	- Financial ratio analysis - Liquidity ratios - Asset management ratios - Debt management ratios - Profitability ratios - Market value ratios - Du Pont system - Uses and limitations of ratio analysis
4	- Financial forecasting - The percentage of sales method - Financial planning - Breakeven analysis - Degree of operating leverage - Degree of financial leverage - Degree of total leverage

Week Nr.	Topic
5	<ul style="list-style-type: none">- Time value of money- Risk and rates of return<ul style="list-style-type: none">- Defining and measuring risk- Relationship between risk and rates of return- Diversification and portfolio risk
6	Midterm Exam
7	<ul style="list-style-type: none">- Markowitz portfolio selection model- Capital asset pricing model (CAPM)- Basics of arbitrage pricing theory (APT)
8	<ul style="list-style-type: none">- Bond and stock valuation<ul style="list-style-type: none">- Bond valuation- Common stock valuation
9	<ul style="list-style-type: none">- Methods of portfolio performance evaluation- Capital budgeting techniques- Cost of capital
10	<ul style="list-style-type: none">- Basics of options markets and option valuation<ul style="list-style-type: none">- Option contract- Call options- Put options- Option strategies- Introduction to option valuation
11	<ul style="list-style-type: none">- Project presentations
12	Final Exam (comprehensive)