

FORDHAM UNIVERSITY

MBA

Fall 2020

Course: FNBU 6411 - INTRODUCTION TO FINANCIAL SYSTEMS & METHODS
Mondays & Wednesdays

Start Week: 8/24/2020

End Week: 12/15/2020

Room: TBA

Instructor: Chris Droussiotis

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Course Outline:

This course is designed to provide practitioners and those seeking careers in finance with a rigorous combination of theory and practice as we explore the fundamental principles of finance. Students currently employed in this dynamic and evolving field will have the opportunity to become familiar with many of the core principles and concepts commonly applied in their field daily. From a practical perspective, Introduction to Finance is meant to reinforce work-related practices, such as analyzing financial statements, the application of time value of money concepts, asset valuation on a discounted cash flow (DCF) basis, cost benefit analysis (CBA), and the quantification of the multifaceted relationship between risk and return in financial markets. The course will be divided into sections: The first part of the semester the course will introduce investment analysis concepts and the second part of the semester the course will introduce corporate finance.

Through this course, students wishing to enter diverse areas of finance, such as asset management, credit analysis, financial and investment analysis, portfolio management, and risk management, will have the opportunity to acquire and develop critical work-related skills. These include evaluating corporate performance based on a thorough analysis of financial statements, estimating the present and future values of a wide range of cash flows, and using these concepts as the basis for asset valuation, applying commonly used cost-benefit analysis methods to evaluate investment decisions, and estimating the risk and return of individual securities and diversified portfolios.

The topics covered in this course provide students with the necessary background and preparation to take more advanced courses in finance.

Learning Objectives (LO)

Upon successful completion of this course, you will be able to:

1. Apply the principal time value of money (TVM) concepts used in financial analysis and valuation.
2. Understand Risk & Return tradeoff and the mitigation of such risk through allocation and diversification
3. Compare the risk and returns to market and learn other measurements of calculating expected return
4. Understand how stocks and bonds trade in the secondary markets and how they are valued. Apply basic risk & return analysis based on expected cash flows (dividends or coupon payments)

5. Classify the core components of the three (3) principal financial statements: the balance sheet, the income statement, and the statement of cash flows.
6. Describe the applications and uses of common-size financial statement analysis.
7. Identify commonly used financial ratios to measure a firm's financial performance.
8. Determine the value of debt and equity securities using discounted cash flow methods (DCF) and alternative valuation techniques and use these for various transactional situations such as Mergers and Acquisition or Leveraged Buyouts (LBO)

Readings

Textbook (RWJ)

Ross, Westerfield, and Jordan. (2012) *Fundamentals of Corporate Finance*, 12th Edition. McGraw-Hill Irwin. ISBN 978-1-259-91895-7

Textbook (CD)

The following textbook is based on the professor's lecture notes and is highly recommended but not required for the course. The homework will from this textbook but create a copy and posted on the website www.professordrou.com:

Droussiotis, C. (2019), *An Analytical Approach to Investments, Finance and Credit*, Preliminary Edition. Cognella Publishing. ISBN: 978-1-1935551-66-9

Financial Calculators

Given the scope and nature of Introduction to Finance, students are strongly recommended to obtain a financial calculator, such as: HP-10BII or Texas Instruments (TI) BAIL.

RWJ's Chapters 4 and 6 in your textbook include an appendix that shows how to use both of these financial calculators to perform present value and future value calculations and to solve for the rate of return.

Excel

In addition, students are encouraged to use Excel to perform the analytical calculations discussed in the course. All of the lectures will include spreadsheet analysis on the website and/or Active Learning.

Course Requirements (Assignments)

Graded Homework Problems (15%):

Graded Homework Problems give you an opportunity to demonstrate your mastery of the topics covered in the course and solidify your knowledge of finance theory through the practical application of the concepts, models, and theories, discussed in class. Students are required to submit a set of Graded Homework Problems. The student can access homework from Cognella's ACTIVE LEARNING platform.

Individual Project (15%):

Each student will be assigned a publicly traded company. See Appendix for Project description.

Midterm Exam (30%):

The Midterm Exam will be based on the Instructors class notes (PowerPoint presentations) and excel spreadsheets provided on Canvas. To prepare for the exam is recommended reading using the practice problems from the optional CD textbook - chapters 1-4 and chapters 10 and 11 which includes Time Value Money (TVM) concepts, Risk & Return, stock and bond investing. (check the date on Canvas and/or the website www.ProfessorDrou.com).

Final Exam (30%):

The Final Exam will include some of the concepts from the midterm including equity valuation, Return and TVM. Most of the exam though will focus on chapters 6-16. The students need to study spreadsheets analysis covered in class

including the Alexandria Hotel projections and DCF analysis, Hyatt stock valuation, LBO and Capital Markets financial model, and Return and bond analytics spreadsheet. The exam will be taken during the Exam Period. It will be opened books and notes taken in the computer lab (on-line) (check the date on the website www.ProfessorDrou.com).

The students need to study the various spreadsheet analysis covered in class including the Celerity Technology Company case study; the Alexandria Hotel WACC analysis and Hyatt Corporation enterprise valuation methods. The exam will be closed books and notes taken in class

Class Attendance (10%):

Attendance is mandatory. Please let the instructor know that you will not be able to attend class n campus or on-line. The Instructor encourages class participation especially when reading assignments are given the week before

Grading:

Midterm Exams	30%
Final Exam	30%
Homework	15%
Project	15%
Class Attendance/Participation	10%
Total	100%

Grading Scale:

A	93 - 100	C+	77 - 79
A-	90 - 92	C	73 - 76
B+	87 - 89	C-	70 - 72
B	83 - 86	D	60 – 69
B-	80 - 82	F	Below 60

ACADEMIC INTEGRITY POLICY

Students enrolled at Fordham University are expected to maintain the highest standards of academic honesty. Students have the responsibility to each other to make known the existence of academic dishonesty to their course instructor, and then, if necessary, the department chairperson/school director or the academic dean of their college. Course instructors have the added responsibility to state in advance in their syllabi any special policies and procedures concerning examinations and other academic exercises specific to their courses. Students should request this information if not distributed by the instructor. Academic dishonesty includes, but is not necessarily limited to, the following:

- **Cheating** – Giving or receiving unauthorized assistance in any academic exercise or examination. Using or attempting to use any unauthorized materials, information or study aids in an examination or academic exercise.
- **Plagiarism** – Representing the ideas or language of others as one’s own
- **Falsification** – Falsifying or inventing any information, data or citation in an academic exercise.
- **Multiple Submissions** – Submitting substantial portions of any academic exercise more than once for credit without the prior authorization and approval of the current instructor.

- **Complicity** – Facilitating any of the above actions or performing work that another student then presents as his or her assignment.
- **Interference** – Interfering with the ability of a student to perform his or her assignments

Sanctions: Any student found guilty of academic dishonesty will, for the first offense, receive one or a combination of the following penalties:

1. No credit (0) or F (failure) for the academic exercise.
2. Reduced grade for the course.
3. An F (failure) in the course that is identified on the student's permanent record card as permanent and cannot be removed.
4. Recommendation for academic probation to the dean's office. In cases of interference and complicity, when the student is not registered in the affected course, the incident may be recorded on the student's permanent record. In any case, the incident and penalty will be recorded in the student's file maintained in the campus Office of Enrollment Services.

For a second offense of academic dishonesty, a student will be subject to any combination of the above sanctions and, with concurrence of the academic dean, one of the following:

1. Suspension from the University for one year. Readmission will be contingent upon the approval of the academic dean.
2. Dismissal from the University.

Course Schedule/Course Calendar

Please check website www.ProfessorDrou.com for schedule changes and updates:

Zoom online: <https://fordham.zoom.us/j/4147065612>

LECTURE OUTLINE

Week	Date	LO	Textbook Chapters/Notes	Lecture	Assignments HWK choice	
1.	8/26	INVESTMENT ANALYSIS	Power Point Presentation	Going over Course Syllabus. Complete “Getting to Know You” forum. LECTURE 1 Introductory Finance Concepts: <ul style="list-style-type: none"> • Risk, Return, Time & Allocation • Trading Securities (Stocks/Bonds) • Firm Specific (Financial Analysis and Valuation) • Transaction Analysis 		
2.	8/31		L1	RWJ: Ch. 5 & partial 6 CD: Ch. 1	LECTURE 2 – Time Value of Money TVM Concepts: <ul style="list-style-type: none"> • One-time FV, PV, Interest, Time • Annuity FV, PV, Interest, Time • Uneven CF 	
3.	9/2		L2	RWJ: Ch. 9 CD: Ch. 2&3	LECTURE 3 – Risk, Return, Time, Alloc Risk & Return Concepts: <ul style="list-style-type: none"> • HPR, IRR and Stand. Dev. • Historical & Scenario • Cov, Cor & Efficient Frontier 	Hwk#1 Due: CD: Ch 1
	9/7		<u>NO CLASS</u>			
4.	9/9		L3	RWJ: Ch.5&Ch 13 (partial) CD: Ch. 3&4 (partial)	LECTURE 4 – Comparative Analysis Comparative Market Analysis Concepts: <ul style="list-style-type: none"> • Beta, CAPM, Sharpe Ratio 	Hwk#2 Due: CD: Ch 2
5	9/14		RWJ: Partial Ch 8	LECTURE 5 – Investing in Stocks	Hwk#3 Due:	

Week	Date	LO	Textbook Chapters/Notes	Lecture	Assignments HWK choice
			CD: Ch. 10	Secondary Market/Trading Stocks: <ul style="list-style-type: none"> • Stock Exchanges • Return & CF concepts (Div) • 	CD: Ch 3&4
6	9/16		RWJ: Ch. 7 CD: Ch. 11	<u>LECTURE 6 – Investing in Bonds</u> Secondary Market/Trading Bonds: <ul style="list-style-type: none"> • Bond Markets • Bond Analysis (CY, YTM, YTC) • Basic Bond Val (Duration & Convexity) 	<u>Hwk#4 Due:</u> CD: Ch 5
7	9/21		RWJ: Ch. 5-9 CD: Ch. 1-4, 10-12	<u>Midterm Review</u>	<u>Hwk#5 Due:</u> CD: Ch 6
8	9/23		MIDTERM EXAM		
9	9/28	CORPORATE FINANCE	L5, 6 RWJ: Ch. 2 CD: Ch. 15	<u>LECTURE 7 – Financial Analysis</u> Financial Statement Analysis: <ul style="list-style-type: none"> • Balance Sheet, Income Statement • Building Cash Flow Statement Case study: Celerity Technology Company	
10.	9/30		L7 RWJ: Ch. 3,4 CD: Ch. 15, 16	<u>LECTURE 7 (Cont.)– Financial Analysis</u> Financial Statement Analysis: <ul style="list-style-type: none"> • Ratio Analysis • Projections Case study: Celerity Technology Company	
11	10/5		L8 CD: Ch 17	<u>LECTURE 8 – Valuation Analysis</u> Introducing 6 methods of Valuation: <ul style="list-style-type: none"> • Method#1: Stock Price • Method #2: Intrinsic Value • Method #3: DDM • Method #4: Trading Comparable • Method #5: Acquis. Comparable • Method #6: DCF Case Study: Hyatt Corporation	<u>Hwk#6 Due:</u> CD: Ch 15
12	10/7			CD: Ch 17	<u>LECTURE 8 – Valuation Analysis</u> DCF Valuation

Week	Date	LO	Textbook Chapters/Notes	Lecture	Assignments HWK choice
	10/12		<u>NO CLASS</u>		
12.	10/14	L8	CD: Ch 9	<u>LECTURE 9 (Transaction Analysis)</u> <ul style="list-style-type: none"> • Method #6 (Cont.): DCF Method • Case Study -LBO and M&A <i>Case Study: Alexandria Hotel</i> 	<u>Hwk#7 Due:</u> CD: Ch 17
14.	10/19		CD: 15-17, 9 (partial)	<u>Project Review and Final Exam Review</u>	<u>Project Due</u> 10/25
15.	10/21		FINAL EXAM		

EXHIBIT A - FINAL PROJECT

1. Company Profile

- Write a brief profile of the company you are assigned to including a description of their products or services and the markets they compete.
- Summary of their stock performance in the last quarter versus the market and closest competitors.

2. Financial Analysis

- The financial analysis should include, but not be limited to, the preparation of the latest 3-year financial statements (Income Statement, Balance Sheet and Cash Flow Statement) including the Last Twelve Months (LTM).
- Provide an explanation of the results year-over-year including ratio and trend analysis.

3. Projections & Valuations

- Projections and Valuation Analysis for your assigned public company using Excel. The valuation analysis should calculate the assigned companies Enterprise Value using the following 3 methods of valuation:
 - Method #1 (current stock price to calculate the EV)
 - Method #4 (based current trading peer comparable)
 - Method #6 (DCF Analysis)
- In addition to the analysis you need to provide a page or two of discussions on your analysis including the assumptions you used for driving revenues and expenses.
- Discussions on the results on your various methods of valuation and recommend if someone should **buy, hold or sell the stock**.

4. Technical Analysis

- Analyze the stock performance against the market (S&P 500) generating beta coefficient and other standard deviation results using Excel's regression analysis or calculated manually.