

MEF5020 Financial Management - Case Based Analysis (earlier TER1414)

Extended syllabus Autumn 2019

Course aims/objectives:	To create conditions for in-depth understanding of financial management concepts and issues, and to develop skills of financial management using analysis of cases.
Learning outcomes:	The student: 1. Has in-depth understanding of financial management concepts and issues. 2. Is able to solve financial management problems.
Brief description of the course (topics):	Introduction, working capital management, financial planning, sources of capital, cost of capital and capital structure decisions (including increasing leverage and IPOs), handling excess cash, dividend policy, company valuation, analysis of financial distress.
Language of the course:	English
ECTS credits:	6 ECTS
Students:	This is a compulsory course for "Finance and Accounting (TARM)" students in Finance major, optional course for students from the same programme's other majors, "International Business Administration" (TVTM), elective course for all master students and for other students (including Open University and Erasmus students).
Special needs:	Persons with disabilities can participate in this course. Please inform the professor(s) in the beginning of the course of any special instruction, or assessments of this course that may be necessary to enable you to fully participate in this course.
Registration:	Students who would like to take the course should declare the course in the ÕIS (Student Information System) by deadlines set in the academic calendar. Due to space constraints, the number of participants taking the course as an elective, is limited. The priority is given to "Finance and Accounting (TARM)" students in Finance major and Erasmus students.
Prerequisite courses and/or knowledge:	The student should be familiar with core corporate finance concepts: time value of money, investment valuation methods, cost of capital, financial analysis, capital structure and working capital management, financial statements' forecasting.
Prerequisite resources:	MS Office programmes. For free student download see the instructions https://wiki.ttu.ee/it/en/doc/office
Professor(s):	Laivi Laidroo, PhD, Associate Professor laivi.laidroo@taltech.ee Triinu Tapver, PhD student, triinu.tapver@taltech.ee
Contacting Professor(s):	Preferred means of contact e-mail, responses provided within 3 workdays. With questions concerning practicalities, assignments and grading, turn to triinu.tapver@taltech.ee Alternative means of contact student forum in Moodle.
Schedule for classes:	Mondays W1 to W8 17.45-21.00 SOC-213
Study process description:	The teaching process is based on short introductory lectures on the covered topics. This is followed by the group analysis and discussion of financial management cases in parallel with class-room discussion. After the seminar, each group finalises answers to some of the questions in writing. Student preparation for case discussions <u>before the seminar:</u>

1. Read the case study thoroughly and if necessary bring printout with you to the seminar.
2. If you feel less familiar with the financial management topic covered in the case, please read additional reading materials that have been posted to Moodle.

Case discussions during the seminar in the classroom:

1. Cases are solved in pre-determined groups of 5 to 6 students.
 2. The discussion will be in English.
 3. Each group should have with them at least one laptop with a long-lasting battery.
 4. Each group discusses and provides answers to the questions accompanying the case.
 5. Group discussion is followed by joint classroom discussion.
 6. For some questions (indicated in the list) the groups prepare calculations and answers in writing (you are advised to finalise that part of the group work already during the seminar). These are to be uploaded to Moodle according to pre-set deadlines together with group self-reflection form and these will be graded.
- The course ends with an exam which evaluates individual performance of students.

Course's e-support:

Course materials can be accessed via the e-learning environment Moodle under the course title TER5020 Financial Management Case Based Analysis <https://moodle.taltech.ee/course/edit.php?id=2459> Students can enrol to the course themselves using the **password: fcase2019**. After the declaration deadline the access to the course will be maintained for only those students who have declared the course and the manual enrolment option will be closed. If you have no Moodle account yet, please create it by filling in the registration form at <https://moodle.taltech.ee/login/signup.php>

Study literature:

Case studies and supplementary reading materials available in Moodle.

Continuous assessment:

Group work – At each seminar there is a separate case discussion based on the list of questions provided with the case. Each group participates in oral discussion at the seminar and after seminar submits written solution to questions discussed/solved at the seminar according to the deadline.

Written solution contains the calculations related to the case and answers to questions which are to be submitted in writing (indicated respectively in the list of questions accompanying the case). Each group can finalise the calculations/answers at home and must **submit these through Moodle one week after the class-room case discussion by 17.00** (there exists a separate link for each submission). It is enough if one group member submits. **Delayed submissions cannot be uploaded and will not be graded.**

Each solution should be formatted as **one single Word file (no pdf's please)** containing answers to questions and including the final results of the calculations. The Excel files containing all the **details of the calculations** (formulas, input and output data) have to be submitted together with the Word file and should be presented in a way that the calculation logic can be followed (you may provide brief calculation details also in the Word file). Still, do not forget to state the final results of all calculations in the Word file while covering the answers to the questions. If calculation details are missing, the answer is discarded when evaluating the submission.

With the written solution, the group submits self-reflection form in Excel (filled in together with group members) which contains each group member's contribution from the total of 100% workload of the written solution and oral discussion.

Evaluation criteria for continuous assessment:

This is a summary, for details see [OIS](#).

Each group discussion is evaluated at **first on the level of the entire group** considering both the oral discussion at the seminar and the submitted written solution on the **scale of 0 to 12 points**. In oral discussion the thoroughness and correctness of the answers is evaluated. In written solution the focus is on the correctness of calculations, quality of modelling, thoroughness and correctness of answers, as well as the ability to follow fact-conclusion logic.

Then the group points are transformed into individual points of each group member based on the contribution % indicated on the self-reflection form, as specified in detailed evaluation criteria in [OIS](#).

From submitted **7 solutions 5 best ones for each individual** participant are included in the calculation of the final grade.

Exam:

An individual paper written on an earlier announced date where each student gives in a free form short answers to questions concerning discussed cases and topics, and solves short assignments. Students can use scientific calculators and formulas provided with exam questions. Use of supplementary materials, mobile or smart phones is not allowed. The first exam is on the **31 Oct 2019 starting 17.45**, remaining exams take place **2 Jan 2020 starting 17.45** and **15 Jan 2020 starting 17.45**.

Evaluation criteria for the exam:

The maximum number of points is 40. The accuracy of calculations and quality of answers is evaluated. See [OIS](#) for more details

Final grade:

5 best group works each 12% (total 60%); 40%exam

The sum of points for each item is converted into a grade using the following principles:

"5" excellent 91-100

"4" very good 81-90

"3" good 71-80

"2" satisfactory 61-70

"1" poor 51-60

"0" fail less than 51

If the student has not shown up for the exam, the final result is set equal to „MI“ (not attended).

Academic integrity:

As a student at TalTech School of Business and Governance, you have an obligation to conduct your academic work with honesty and integrity according to University standards. It is expected that all work that you submit will be your own, and that you have actually done the work that you are submitting. Plagiarism and cheating will not be tolerated. Should you be found to be guilty of such activities, it will be followed with grade "0" for the assignment or the whole course and a notice will be filed to the School's Committee for Handling Violations of Academic Practice and Contemptible Behaviour. Depending on the Committee's proposal, it may lead to Dean issuing a letter of reprimand or in case of repeated or very severe misconduct, exmatriculation from the University.

Detailed schedule and topics

The semester plan is preliminary and might be changed in case of cancellations, changes in available reading material, etc.

Week 1 Laivi Laidroo (2 Sept 2019)

Introduction - reviewing the main financial management concepts.

In class - solving short assignments.

After-class voluntary readings 1 to 4 in Moodle. Especially important for those who found the class assignments difficult or used concepts unfamiliar.

Week 2 Laivi Laidroo (9 Sept 2019)

Working capital management – definition and calculation of working capital and its components, the impact of working capital investments on company's financials, strategies for financing working capital investments.

Before-class:

- Reading Case Study - Dell (available in Moodle)
- Readings 5 and 6 (available in Moodle).

In class – short lecture, group work and **Dell** case discussion.

Week 3 Laivi Laidroo (16 Sept 2019)

Financial forecast I - elements of a financial plan/forecast/budget; compiling a sales and cost of goods sold forecast; preparing forecasted income statement.

Before-class:

- **Group work deadline** – group solution to Case Study - Dell should be submitted by 17.00 through Moodle.
- Reading Case Study - Tallinna Vesi Financial Forecast (available in Moodle).

In class – short lecture, group work and **Tallinna Vesi** case discussion.

Week 4 Laivi Laidroo (23 Sept 2019)

Financial Forecast II – compiling forecasted balance sheet and cash flow statement; valuing the share of the company based on FCFE.

Before-class:

- **Group work deadline** – group solution to Case Study - Tallinna Vesi Financial Forecast 1st part should be submitted by 17.00 through Moodle.
- Reading Case Study - Tallinna Vesi Financial Forecast (available in Moodle).
- Reading 7 in Moodle.

In class – group work and **Tallinna Vesi** case discussion.

Week 5 Laivi Laidroo (30 Sept 2019)

Capital Structure, Valuation, and Cost of Capital– impact of capital structure changes (including taking additional loans, paying dividends and re-purchasing shares) on company value and cost of capital.

Before-class:

- **Group work deadline** – group solution to Tallinna Vesi Case 2nd part should be submitted by 17.00 through Moodle.
- Reading Case Study - Wrigley (ECCH case, available in Moodle).
- Reading 8 and 9 in Moodle.

In class – short lecture, group work and **Wrigley** case discussion.

Week 6 Laivi Laidroo (7 Oct 2019)

IPO - factors influencing a company's IPO decision, the role of underwriters, the IPO process and terminology, issue price valuation.

Before-class:

- **Group work deadline** – group solution to Wrigley Case should be submitted by 17.00 through Moodle.
- Reading Case Study- Facebook (ECCH case, available in Moodle).
- Reading 12 and 13 in Moodle.

In class – short lecture, group work and **Facebook** case discussion.

Week 7 Triinu Tapver (14 Oct 2019)

Cash issues - handling excess cash, dividend pay-out policy, tax avoidance strategies, company valuation using multiples and FCFF.

Before-class:

- **Group work deadline** – group solution to Facebook Case should be submitted by 17.00 through Moodle.
- Case Study – Apple (ECCH case, available in Moodle).
- Reading 10 and 11 in Moodle.

In class – short lecture, group work and **Apple** case discussion.

Week 8 Laivi Laidroo (21 Oct 2019)

Financial Distress – potential causes for financial distress, financial restructuring process and potential outcomes.

Before-class:

- **Group work deadline** – group solution to Apple Case should be submitted by 17.00 through Moodle.
- Case Study - Väätsa Agro (available in Moodle).
- Reading 14 and 15 in Moodle.

In class – short lecture, group work and **Väätsa** case discussion.

Week 9

28 Oct 2019 17.45 Group work deadline – group solution to Väätsa Agro Case should be submitted by 17.00 through Moodle.

31 Oct 2019 17.45 - first possibility to take the exam.

Additional exams

2 and 15 January 2020 17.45 – additional exams.