

UNIVERSITY OF PIRAEUS
DEPARTMENT OF BANKING & FINANCIAL MANAGEMENT
GRADUATE PROGRAM IN BANKING & FINANCE

Course: Financial Management
FALL 2020

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Office Hours: Wednesdays 14:00-16:00, and 18:00 – 20:00 or by appointment

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The scope of Financial Management

Every key decision made by a firm's managers has important financial implications. Management daily faces questions like the following: Will a particular investment be successful? Where will the funds come from to finance the investment? Does the firm have adequate cash or access to cash to meet its daily operating needs? Which customers should be offered credit? How much inventory should be held? Etc.

Financial Management involves the investment, financing, and dividend decisions of the firm. The generally accepted goal of the firm is value maximization. Financial managers must plan for, acquire, and use funds in a way that makes the maximum contribution to efficient use of resources. This requires familiarity with the financial markets from which funds are drawn as well as with the products/markets in which the firm operates. All financial decisions involve alternative choices between internal versus external funds, long-term versus short-term projects, long-term versus short-term financing, etc.

Decisions relating to value maximization involve a trade-off between risks and returns, and must be made within the framework of socially responsible behaviour as well in relation to dynamic external environments, both domestic and international. Lastly, the firm's goal of value maximization is subject to the possible existence of conflicts between owners and managers, as well as between owners and creditors of the firm.

Required Textbook:

- ❖ **Ross S., Westerfield R. and Jaffe J., [RWJ] *Corporate Finance*, 10th edition, McGraw-Hill 2013, 1^η ελληνική έκδοση, Broken Hill 2017**

Additional Bibliography:

- **Brigham Eugene E and Michael C. Ehrhardt [BE], *Financial Management, Theory and Practice*, 13th ed., South-Western, 2011**
- **Brealey Richard A., Myers Stewart C., and Allen Franklin [BMA], *Principles of Corporate Finance*, 10th ed., McGraw Hill, 2011**
- **Damodaran Aswath, [D], *Applied Corporate Finance*, 3rd edition, WILEY, 2011**

Schedule of Class Lectures

Lecture 1:

An Overview of Financial Management, Financial Statements & Cash Flows.

[RWJ] chapters 1 & 2, [BE] chapter 1&2

Analysis of Financial Statements.

[RWJ] chapter 3, [BMA] chapter 28, [BE] chapter 3

Lecture 2

The Time Value of Money:

[RWJ] chapter 4, [BMA] chapter 2, [BE] chapter 4

End of chapter problems: [RWJ]:4.29, 4.30, 4.38, And 4.41.

Lecture 3

Investment valuation rules:

[RWJ] chapter 5, [BMA] chapter 5, [BE] chapter 10, [D] chapter 5

End of chapter problems [RWJ]: 5.10, 5.11, 5.14, and 5.15.

Lecture 4

Capital budgeting

[RWJ] chapter 6 [BMA] chapter 6, [BE] chapter 10, [D] chapter 6

End of chapter problems [RWJ]: 6.12, 6.20

Lecture 5

Risk analysis of investment projects

[RWJ] chapter 7, [BMA] chapter 10, [BE] chapter 11

End of chapter problems: [RWJ] 7.12, 7.25

Lecture 6

Bond Valuation

[RWJ] chapter 8, [BMA] chapter 3, [BE] chapter 5

End of chapter problems: [RWJ] 8.27, 8.28

Lecture 7

Stock valuation

[RWJ] chapter 9, [BMA] chapter 4, [BE] chapter 7

End of chapter problems: [RWJ] 9.26, 9.28, 9.30

Lecture 8

Risk and Return

[RWJ] chapter 10, [BMA] chapter 7, [BE] chapter 6

End of chapter problems: [RWJ] 10.21, 10.24

Lecture 9

Capital Asset Pricing Model:

[RWJ] chapter 11, [BMA] chapter 8, [BE] chapter 6, [D] chapter 3

End of chapter problems: [RWJ] 11.10, 11.11, 11.13, 11.16, 11.18, 11.23, 11.29, 11.30.

Lecture 10

Review

FINAL EXAM: 05 -02- 2021