

GEORGE MASON UNIVERSITY

Econ 308.002—Managerial Economics

Professor:	Marian Moszoro [aka “Mariano”]
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Office hours:	Mondays at 11:30am–12:30pm in Mason Hall D151
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Time and Venue

Mondays and Wednesdays at 1:30–2:45pm

Planetary Hall 122

Description

Managers’ job is to undertake profitable activities and to finance them efficiently. The time and uncertainty of investment payoffs make these problems nontrivial. The focus of this course will be on corporate finance aspects of managerial decision-making, in particular: How much value does a specific activity add to the firm? How can managers evaluate investment projects? How do managers deal with risk and uncertainty? How should corporations obtain financing? What is the value of a company?

Objectives

The purpose of this course is to provide the basic concepts and tools to critically analyze corporate decisions from a financial perspective. After the course, you should be able to:

- Analyze managerial decisions from a corporate financial perspective
- Compute working capital requirements and sustainable growth rate
- Apply valuation methods to value projects and companies
- Deal with risk and uncertainty
- Identify ways to return money to shareholders

Content

The course consists of two modules:

a) **Operational Finance Module:** full understanding of the P&L and Balance Sheet, and their interaction with emphasis on the ‘upper side’ of the Balance Sheet, i.e., Current Assets and Short-term Liabilities. Main topics covered include: working capital requirements and sustainable growth rate.

b) **Structural Finance Module:** attention to the ‘bottom side’ of the Balance Sheet, i.e., Fixed Assets, Long-term Debt, and Equity. Main topics covered include: capital budgeting, payout policy, and business valuation.

Teaching Method

The course is based on a mix of lectures and case studies. Reading the cases prior to class is key for successful learning. Active participation in class discussions is strongly encouraged.

Complementary readings—book chapters, technical notes, and articles—are suggested in the outline. Supportive spreadsheets will be provided for most cases via email. In order to minimize the workload, I suggest you to follow the questions posted in the preparation sheets.

Class rules: (a) no food, (b) no late entrance, and (c) no cell phones, tablets, or laptops (unless explicitly requested by the professor for a specific class). You can survive with just an old-school notepad and a calculator.

Readings

Most cases, articles, and technical notes listed in the outline can be purchased at:

- HBS cases and notes: <https://hbr.org/store/case-studies> and
- IESE cases and notes: <http://www.iese.com/en/>

Requirements and Grading

Students are required to attend at least 90% of classes. Students will be evaluated on the basis of class contribution, quizzes, case study memos, and mid-term and final exams.

Students that submit every week a one-page written analysis of cases (WAC) will be eligible to be exempt from the mid-term and final exams.

George Mason University Honor System and Code

George Mason University's Honor Code requires all community members to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited. Honor Code violations will be reported to the Honor Committee. Plagiarism is not accepted (statements from Macon web site: <http://mason.gmu.edu/montecin/plagiarism/htm#plagiarism>).

The use of electronic devices is prohibited during an exam or a quiz; failure to comply with this will result in your failure of the assignment and potentially the failure of the class. Make sure to familiarize yourself with the GMU Honor Code, which is stated in the George Mason University Undergraduate Catalog.

Accommodations for students with disabilities

Please contact myself the Office of Disability Resources at 703-993-2474 prior to the first exam. All accommodations are to be arranged ahead of time through the Office of Disability Resources. The professor does not have the power to provide accommodations to the students on their own.

Course Outline

Operational Finance Module

Week 1

- Jan 23, 2017 Break-Even Point & Market Feasibility
- Jan 25, 2017 Case *Reuters Serwis Polski*, http://moszoro.net/docs/Reuters_en.pdf

Week 2

- Jan 30, 2017 Uses & Sources of Finance—Financial Analysis
- Moszoro, M. (2013) *The Big Picture of Corporate Finance*, <http://moszoro.net/the-big-picture-of-corporate-finance>
- Martinez Abascal, E. (2012) *Finance for Managers*, McGraw-Hill, Chapter 1
- Feb 1, 2017 Case HBS 9-204-126 *Cartwright Lumber 1/2*

Week 3

- Feb 6, 2017 Growing Working Capital Requirements—Action Plan
- Feb 8, 2017 Case HBS 9-204-126 *Cartwright Lumber 2/2*

Week 4

- Feb 13, 2017 Seasonal Working Capital Requirements—Linking Finance & Operations
- Feb 15, 2017 Case HBS 9-292-003 *Play Time Toy Company*

Week 5

- Feb 20, 2017 Negative Working Capital Requirements—Linking Finance & Strategy
- Article “*Are Your People Financially Literate?*” by Karen Berman and Joe Knight, Harvard Business Review, October 2009
- Feb 22, 2017 Case IESE F-541-E *Centros Comerciales Pryca, SA*

Week 6

- Feb 27, 2017 Decision Making Under Uncertainty
- Mar 1, 2017 Case Kellogg School of Management, Northwestern University *Carter Racing*, <http://heller.brandeis.edu/executive-education/maine-2012/may/pdfs/BHLP-102-READING-Carter-A.pdf>

Week 7

- Mar 6, 2017 Review session
- Mar 8, 2017 Mid-term exam

Week 8

- Mar 13, 2017 Spring break
- Mar 15, 2017 Spring break

Structural Finance Module

Week 9

- Mar 20, 2017 Analysis of Investment Projects— Cash Flow Valuation Methods
Article “*How Do CFOs Make Capital Budgeting and Capital Structure Decisions?*” by John R. Graham and Harvey Campbell, *Journal of Applied Corporate Finance* 15, 2002
Technical Note HBS 9-295-155 *An Introduction to Cash Flow Valuation Methods*
- Mar 22, 2017 Case IESE F-760-E *AC Hotels. Investment in New Hotels 1/2*

Week 10

- Mar 27, 2017 Long-term Financing—Equity versus Debt Financing
Article “*What Is It Worth? A General Manager’s Guide to Valuation,*” Timothy Luehrman, *Harvard Business Review*, May-June 1998
- Mar 29, 2017 Case IESE F-760-E *AC Hotels. Investment in New Hotels 2/2*

Week 11

- Apr 3, 2017 Project Finance & Risk Management
HBS 210-061, An Overview of Project Finance & Infrastructure Finance 2009 Update;
HBS 9-203-040, Project Finance Glossary
- Apr 5, 2017 Case IESE F-886-E *A Wind Farm Project Finance Deal*

Week 12

- Apr 10, 2017 Payout Policy
Articles “*Hordes of hoarders,*” by John Authers, *Financial Times*, January 29, 2012;
“*Investors weigh prospects for dividend catch-up,*” by Telis Demos, Ajay Makan, and Dan McCrum, *Financial Times*, February 20, 2012
- Apr 12, 2017 Case HBS 9-204-066 *Dividend Policy at Linear Technology*

Week 13

- Apr 17, 2017 Valuation of a Leveraged Buyout (LBO)
Technical Notes HBS 902-004 *LBO Valuation (A): LBO Structure and the Target IRR Method of Valuation*; IESE E-12-E *Negotiating a Venture Capital Deal III: Structuring a Buy-Out*
- Apr 19, 2017 Case HBS 9-291-008 *John M. Case Company*

Week 14

- Apr 24, 2017 *Corporate Social Responsibility versus Shareholder Value Maximization*
Reading: Davis I. (2005) What is the Business of Business? *McKinsey Quarterly* 3
- Apr 26, 2017 Movie: “Other People’s Money” (1991)
Case IESE F-858-E *Other People’s Money*

Week 15

- May 1, 2017 Review session
- May 3, 2017 Final exam