

FIN 5310 Financial Risk Management

Spring 21

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Pigott406

Office Hours: Tuesday (5:00-6:00) and by appointment

Textbook:

Managing Financial Risk, 3rd ed., by Smithson Charles, ISBN-10: 007059354X

Required Cases:

Selected from Harvard case materials available later.

Supplemental Readings:

Financial Times, Business Week, Economist, Euro Money, Risk, Journal of Applied Corporate Finance, Financial Management, and Harvard Business Review.

Coursepack Link:

Available Later

Course Objectives:

Financial crisis of 2008 was largely the result of failed risk management. In this class we will examine financial risk management issues in general terms. We will focus more on framework and less on tools. It is not meant to be an exercise in numerical/spreadsheet methods or mathematical techniques. Instead, the course will focus on bigger issues in an enterprise context.

The textbook will be used as a resource to develop basic concepts, but the textbook will not limit the course. The course uses case method to create an interactive learning environment where you will analyze real world business situations and communicate solutions in a clear and concise manner.

Grading Scheme:

Class Participation	10%
Assignments	40%
Individual Topics/Presentations	20%
Final Exam (individual)	30%

Tardiness/late arrivals/early departures/absentee events beyond one event will have a penalty equal to half a grade per event.

Class Participation and Executive Summaries/Slides:

Your participation is essential. There are at least 3 aspects to participation: 1) a good grasp of the facts of the case, 2) insightful analysis, and 3) effective communication of your thoughts.

How to Work with a Case?

The cases are actual business situations. Often times, there is no unique answer and sometimes even the questions are not readily apparent. Your job is to organize the facts, define alternative courses of action and identify the associated consequences of such actions. In the end, you should be able to make a recommendation to your 'boss'. Such recommendations should be backed up by careful analysis of the situation, alternatives, and consequences.

Almost all business situations involve some uncertainty, and you have to make reasonable assumptions and form well considered judgments. You will often find that others have very different perspectives and insights. You should be prepared to debate such various viewpoints in a constructive manner. In the end, you must make your own judgment and communicate it in a clear and concise manner.

The case materials provide lots of real-life facts but they are usually **not well organized**. This can be a VERY frustrating experience, but do not give up. Keep at it, until you develop a good grasp of the situation, this is an important part of your learning process. I will provide **no** help in this respect and it will take some effort on your part to sort things out. In some sense, the journey has more value than the destination. In the process of analysis, please do not use any facts outside the case materials, especially the epilogue.

My role in this course is to create an open learning environment. I will **not** provide any assistance in the process of analysis nor will I provide any *routine* feedback on relative merits of various arguments. I will be a facilitator in the process of discovery and the rest is upto you. Good luck, together we can make this an enjoyable and rewarding experience.

Tentative Course Outline, FIN 5310

Week 1 Mar 30	Course Introduction and Overview	
Week 2 Apr 6	Forwards and Futures: Basics, Ch 4, 5 Case: Coca-Cola Harmless Warrants	5 to 8 PowerPoint Slides 5 to 8 PowerPoint Slides
Week 3 Apr 13	Forwards and Futures: Applications, Ch 6, 7 Case: American Express TRS Charge Card Receivables	5 to 8 PowerPoint Slides 5 to 8 PowerPoint Slides
Week 4 Apr 20	Options: Pricing and Applications, Ch 10, 11, 12 Present preliminary outline on Individual Topics	10 to 15 PowerPoint Slides 1 or 2 PowerPoint Slides
	Basic Hedging Tools Assignment due	Apr 25
Week 5 Apr 27	Swaps, Ch 8, 9 Case: Hedging Currency Risk at AIFS	5 to 8 PowerPoint Slides 5 to 8 PowerPoint Slides
Week 6 May 4	New Products and Hybrids Ch 14, 15 Case: Arley Merchandise Corporation	5 to 8 PowerPoint Slides 5 to 8 PowerPoint Slides
Week 7 May 11	Risk and Firm Value, Ch 19, 20 Individual Topics	5 to 8 PowerPoint Slides 10 to 15 PowerPoint Slides
Week 8 May 18	Case: Liability Management at General Motors Individual Topics	5 to 8 PowerPoint Slides 10 to 15 PowerPoint Slides
Week 9 May 25	Case: J P Morgan 2008 Individual Topics	<i>2page list of main points</i> 10 to 15 PowerPoint Slides
Week 10 June 1	Case: Lehman Brothers Rise and Fall Individual Topics, Q&A	<i>2page list of main points</i> 10 to 15 PowerPoint Slides
Week 11 June 8	Final Exam, 6:00-7:50pm	

Time Management:

I would recommend that you budget your time to 2 hours analyzing the bigger issues in the case. Writing a 3page group report and slides can easily be done in additional 2 hours. Executive summary should take about 10 to 15 minutes. Weekly media articles should take no more than 20 minutes.

Grading Policy:

The learning environment is seriously frustrated by the focus on grades. Every now and then, your class will have students whose primary pre-occupation is with letter grades. For their benefit, I have provided the following information.

As we all know, the exams are not a perfect measure of knowledge. The grades reflect your overall performance as measured by the scheme on the prior page. This is a standard metric for the entire class. The amount of effort you put in or your special needs for a particular letter grade do not allow me to fashion a special customized metric for different individuals.

We will use the following structure for letter grades. The grades will be assigned after the final exams are graded. I have no possible way to assign a course letter grade, or any partial letter grade, before the final exam is completed.

Overall score out of 100 points for the course	Letter grade for the course
96-100	A
91-95	A-
86-90	B+
76-85	B
71-75	B-
66-70	C+
61-65	C
56-60	C-
56 and below	D, E, F

Missed Classes:

This course is interactive and is not geared up for on-line or remote learning. Absentee from class will put a lot of burden on you to catch up and I have no practical way of helping you. *Office hours are not meant to be make-up sessions for missed classes.* You should make it a point to draw on your study group to make up for any unavoidable absentee events for all aspects including housekeeping details.

Surfing, cellphones, other disruptive issues, and private conversations in class:

Clearly should be avoided.

Academic Honesty

Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process. Academic dishonesty in any form is a serious offense against the academic community. Acts of academic dishonesty will be addressed according to the Seattle University Academic Honesty Policy. The policy can be found at the address below:

http://www.seattleu.edu/regis/Policies/Policy_2004-01.htm

If you are not sure whether a particular action is acceptable according to the Academic Honesty Policy, you should check with your instructor before engaging in it.

Exams and case reports are confidential and should not be distributed, nor should older exams/reports be used. If you find out about any circulation of older exams/reports, please report it immediately.

Disability

If you have, or think you may have, a disability (including an 'invisible disability' such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through Disabilities Services staff in the Learning Center, Loyola 100, (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

Laptops

The use of laptops, netbooks or PDAs in class to take class-notes, view powerpoints or work on class projects is allowed and encouraged. However, please do not use laptops, netbooks or PDAs (cellphones, hand-helds) in class for any other non-class related activity (including instant messaging, web-browsing, etc.) unless specifically permitted by the instructor.

Audio and Video taping

For protection of proprietary knowledge and for a variety of other reasons, audio and videotaping of any class session is strictly prohibited without prior approval of the instructor. Under extreme circumstances or for a pre-approved class absence, audio taping a class session will be allowed on a case by case basis and with the express permission of the instructor. The student will be responsible for making all necessary arrangements. Students will need to adhere to the appropriate agreed upon use of the content material of these audio tapes.

Pages for ch4 and ch5
55-60, 62-64, 69,79,80,83-87
Pages for Ch 6 and 7
91-94, 100-113, 118-126, 129-130, 135-137