Yale School of Management
Strategic Financial Decisions Lab
(Mgt 872b)
Fall, 2002

Class Session 1:
• Course objectives and format
• An introduction to Strategic Financial Decisions
• Owner-managed (entrepreneurial) firm and simple investment function with and without uncertainty

Objectives:
• Active learning-by-doing course
• Help understand dynamic interactions among financial decisions about
  • Production
  • Investment
  • Dividend
  • Managerial compensation
  • Corporate governance
  • Financial reporting
  • Income management
  • Capital structure
  • Insider trading
  • Issue of equity and debt securities
  • Initial public offering
  • Valuation of equity and debt securities, and
  • Trading strategy in security markets.
• Consolidate learning from the theoretical and case-based courses in accounting, corporate finance and investments
• Interactive decision-making exercises in laboratory
• Practice financial decision making
• Learn from others’ reaction to your own decisions
• Help careers as
  • Financial managers,
  • Analysts and strategists in corporations and banks
  • Financial analysts and investment bankers in the investment industry

Course Format:
• One semester/half semester lab course
• Emphasis on experiential learning
• Using new state-of-the-art CAPLAB software
• Each weekly three hour class sessions will include one or more of the following elements:
• Before the class session, read the assigned material, instructions for the lab session and references.
• Prepare a decision-making strategy for the class session.
• Write a one-page typed note outlining this strategy and upload it to the course web site before 8:15 AM preceding the class session. You may use your written strategy during the session, or deviate from it if you think of something better.
• During the lab session, you are assigned one or more roles (owner-manager, manager, investor or a member of the board of directors).
• You make various decisions in your assigned role, and earn points towards a part of your grade.
• Some decision-making sessions will be supplemented by short lectures on relevant theory, or handouts as supplemental readings.
• After each lab session, analyze your decision-making and the data generated during the session, and submit a lab report by uploading it to the course web site by the due date (Wednesday, 5:00 PM).
• Class presentations/discussion of your analysis, models and learning.

Grades
There are no midterm or final exams. I propose to set your course grade as follows:
• 50 percent based on the amount of money (points) you earn during the decision making lab sessions
• 25 percent based on your lab reports
• 25 percent based on your written decision strategies, models and presentations

Prerequisites
• Decision Analysis and Game Theory (MGT515)
• Financial Accounting (MGT 870a)
• Economic Analysis (MGT 520a)
• Valuation and Investment (890a) or Corporate Finance and Options (891b)
• Punctuality (cannot join a session late, or make up credit for a missed session.)

Instructor:
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Teaching Assistant:
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Course Web Page: http://www.som.yale.edu under SOM WebCT Courses, MyWebCT, Mgt872.

Course Materials:
Materials for this course are distributed to you in a sequence through the web site. Sharing any materials (receiving or giving cases, notes, assignments, etc.) provided to the members of this course will degrade SOM’s learning environment, and is strictly prohibited. Please bring any questions about this policy to the instructor.
List of Class Sessions

(subject to changes)

Lab sessions for the course are organized in incremental learning steps. We shall start the class with a simple investment decision-making task in which each member of the class manages his/her own firm as an entrepreneur/manager. This simple task will be made more complex in subsequent sessions. You will learn from preparing a strategy for each class session, from implementing and modifying this strategy during the class session, analyzing the data produced during the class session, and from review of your accounting, economics and finance textbooks and some supplemental readings. Following is a tentative list of lab sessions from which we shall select a subset for this term:

- Owner-Managed Firm and Investment Function under certainty
- Owner-Managed Firm and Investment Function under uncertainty
- Learning to Trade
- Professionally-Managed Firm with Fixed Compensation
- Professionally-Managed Firm with Salaries Determined by Independent Directors
- Professionally-Managed Firm with Salary and Bonus Compensation Set by Independent Director (Largest Shareholder)
- Professionally-Managed Firm with Salary and Bonus Compensation Set by Manager-Selected Board of Directors
- Professionally-Managed Firm with Flexibility in Financial Reporting
- Firm Managed by Shareholder-Managers
- Professionally-Managed Firm with Insider Trading
- Professionally-Managed Firm with Flexibility in Financial Reporting and Insider Trading
- Professionally-Managed Firm with Flexibility in Financial Reporting and Invisible Insider Trading
- Firm Managed by Shareholder-Managers and Old Boy Network
- Firm Managed by Shareholder-Managers with Reporting Flexibility
- Professionally-Managed Firm with visible insider trading and ability to issue new equity
- Professionally-Managed Firm with visible insider trading and ability to issue bonds
- Introduction of Interfirm Equity Holdings
- Professionally-Managed Firm with visible insider trading and ability to issue equity and bonds
- Proprietor-run firm, Initial Public Offering, and Professionally-Managed Firm