Course Description:

This course is concerned with short-term financial policies and the management of short-term assets and liabilities. We will begin by describing the links between a company’s cash flows, its cash cycle and its short-term financing requirements. Next, we will examine the economic and financial principles that apply to individual working capital accounts. Our discussion of inventory will concentrate on the economic explanations for storing raw materials rather than buying them directly from the market as they are needed. When discussing supplier credit, we will explore the reasons companies permit their customers to delay payments and develop some methods for evaluating alternative payment policies. Our final three class periods will be concerned with using short-term assets and liabilities to maintain financial flexibility. Dimensions of financial flexibility we will examine include choosing the maturity structure of debt, the level of cash and temporary investments.

Course Content (subject to minor changes):

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
<th>Mandatory reading</th>
<th>Suggested reading</th>
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</thead>
<tbody>
<tr>
<td>27 April</td>
<td>Tools for Short-Term Financial Management.</td>
<td>None</td>
<td></td>
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<tr>
<td>30 April</td>
<td>Inventory.</td>
<td>None</td>
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<tr>
<td>4 May</td>
<td>Supplier credit continued.</td>
<td>None</td>
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<tr>
<td>7 May</td>
<td>Financial flexibility: short-term financing.</td>
<td>Mian</td>
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<tr>
<td>11 May</td>
<td>Financial flexibility: short-term financing continued.</td>
<td>Huyghebaert</td>
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<tr>
<td>14 May</td>
<td>Financial flexibility: cash &amp; temporary investments.</td>
<td>None</td>
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</tbody>
</table>

*Project company’s financial statements due.*

*Project report’s exhibits due.*

*Project report due.*
**Course Objectives:**
The objectives of this course are for students to (1) understand the theories that explain why companies have short-term assets and liabilities; (2) examine and weigh the evidence for and against these theories; and (3) become proficient at using the tools of short-term financial management.

**Grading:**
Assessment will be based on periodic exercises (15%), analysis of a public company’s working capital policies (25%) and a final exam (60%). The working capital analysis project is a team assignment; each team should comprise 3 or 4 students. The presence or absence of class participation will be used for tie-breaking (to determine whether an average mark of 15.5 should be recorded as 15 or 16, for example).

**Bibliography (subject to minor changes):**


**Biography:**
Gary W. Emery is the Oklahoma Bankers’ Chair in Finance Emeritus at the Michael F. Price College of Business of the University of Oklahoma. Professor Emery’s research area is corporate finance with an emphasis on short-term investment and financing decisions. He has presented and published his research on these topics in several conferences and journals and is the author of a graduate finance textbook entitled *Corporate Finance: Principles and Practice*. Professor Emery has taught graduate courses at Católica Lisbon since 2000.

**Contact(s) and Office hours:**
E-mail address:  gwemery@ou.edu  Office hours:  To be determined.
**Brief description of project:**

1. Choose a publicly-held company with a minimum of five years of published financial statements for your project.
2. Conduct a general evaluation of your company’s working capital policies. What are the lengths of its operating and cash conversion cycles? What is the approximate NPV of a single day’s operations? What are the company’s sustainable and self-financing growth rates? Which working capital components seem to have the largest effect on these performance measures?
3. Examine your company’s inventory policy. Determine the lengths of each stage of the company’s production process if the break-down of its total inventory is available. How is the company’s total investment in inventory and its investment at each stage influenced by the characteristics of its product, the nature of its production process, size and industry?
4. Examine your company’s accounts receivable and accounts payable policies. Is your company a net provider of supplier credit (AR>AP) or a net user (AR<AP)? How is its status as a provider or user of supplier credit influenced by the characteristics of its product, its place in the supply chain and its access to bank or market-based financing?
5. Does your company appear to be a growth or assets-in-place company? Basis your conclusion on characteristics other than its financial flexibility.
6. Evaluate your company’s financial flexibility. Is the company liquid? Likely to remain solvent? Does your company use short- or long-term debt? Low- or high-priority debt? Is your company’s financial flexibility consistent with its type?
7. This is a team assignment with 3 or 4 students per team. Your report must comprise the following parts.
   a. An appendix that provides the company’s financial reports in a format to be distributed later.
   b. The exhibits, tables or charts, which will accompany your final report. Maximum of 3 pages.
   c. The text of your report that must begin with an executive summary. Maximum of 3 pages.
Parts a. and b. must be delivered as Excel files and as printed documents.

**Estimated workload:**

1. Periodic exercises: 5-10 hours per week.
2. On-going study & readings: 10 hours per week.
3. Project appendix and exhibits: 5-10 hours each.
4. Final written project report: 10 hours.
5. Preparation for exam: 20 hours.