

University of California at Santa Barbara
Bren School of Environmental Science & Management

ESM 279
Financial Management and Environmental Accounting
Spring 2018

Schedule: Mondays and Wednesdays, 12:30 – 1:45pm (room TBD)

Instructor: Patrick Callery (pcallery@bren.ucsb.edu)
http://www.bren.ucsb.edu/research/patrick_callery.htm

Office Hours: By appointment (3021 Bren Hall)

Website: Gauchospace

Goals

Understanding finance and accounting is critical for any manager, whether working for a business, nonprofit, or governmental agency. The goal of this course is to provide an advanced introduction to financial management specifically geared for students interested in a career in environmental management. The topics and structure of the course are geared for a diverse range of interests, and the course will be a survey in many ways, as it will touch on several different topics that would traditionally be their own courses. However, all the material has been selected with the underlying theme of enabling students to evaluate environmental projects and initiatives from a financial perspective and convey the results using the language of business.

Textbooks and case pack

The following two textbooks will be used for reading assignments; text readings are optional but highly recommended (see more below). I may also post additional readings (as pdf files) to Gauchospace during the quarter. A case study course pack is required for in-class exercises and may be purchased directly from Harvard Business School Press.

- Welch, Corporate Finance: 4th edition, 2017. Free online at: <http://book.ivo-welch.info/home/>
- Higgins, Analysis for Financial Management: 10th edition, 2011. There is a newer edition (11th) but will cost you a lot more. Note that you may pick up any edition; versions 9th and older are generally available used online for a few bucks.
- Harvard Business School Press case pack: see Gauchospace for purchase and download instructions. Expect this to cost about \$17.

Format and Grading

Course content is lecture driven; some lectures are supplemented with in-class, team-based analytical exercises to provide opportunity for hands-on skills development. Three short quizzes will be administered to assess individual command of key concepts. Finally, a comprehensive team project requiring integration of financial concepts and analytical skills will be completed in progressive milestones throughout the quarter. Course grades will be calculated as follows:

- 25% Class participation and in-class assignments
- 30% Quizzes
- 45% Comprehensive team project

Class Participation (25%) is assessed by individual contribution to an interactive and productive classroom environment. Participation scores are based on frequency and quality of contribution to class discussion, as well as performance on several in-class team-based assignments over the duration of the course. Factors that may contribute to your participation score include:

- *Assigned readings:* readings are intended to provide students with vital background on upcoming lecture topics and should thus be completed in advance of lecture. Textbook reading assignments are optional, though students who have taken care to review concepts in advance of lecture will be better able to engage with lecture material and are more likely to be effective participants and contributors to classroom discussion.
- *Lecture attendance and engagement:* students who regularly attend and make meaningful contribution to class discussion will be recognized accordingly.
- *In-class assignments:* several in-class, team-based case studies and analytical exercises are assigned throughout the quarter. You will be expected to review the relevant case study prior to class in order to best prepare for the assignments.

Three quizzes (30% total, 10% each) will be administered outside of class hours, via Gauchospace, over the course of the quarter. Quizzes are designed to evaluate and reinforce learning of key concepts and will be based primarily on lecture content and analytical skills developed through in-class assignments. The tentative quiz schedule is:

- Week 3: Capital markets
- Week 5: Financial statements analysis
- Week 7: Company and project valuation

A **comprehensive team project** (45%) will be completed during the quarter. Students will self-organize into teams of three or fewer. Teams will choose a publicly traded company and use the concepts and analytical skills from class to develop a financial valuation. The project will be completed over multiple, scheduled milestones over the course of the quarter. The individual milestones (and contribution to overall grade) are as follows. More detailed requirements for each milestone will be distributed during the quarter.

- Milestone 1: Define project (5%)
- Milestone 2: Cost of capital (10%)
- Milestone 3: Financial statement analysis (10%)
- Milestone 4: Financial forecast and valuation (10%)
- Final memo and presentation (10%)

Policies

Lecture attendance is technically optional; as professional graduate students, you can make your own decisions regarding the value of attending lecture versus other competing priorities. Lecture slides will be posted to Gauchospace; however, slides are generally composed of summary information and lack much of the richness of class discussion. If you miss a lecture, you may wish to contact a classmate for any pertinent information. Note also that your class participation score is highly dependent on contribution to classroom discussions and the in-class analytical exercises.

Teamwork is an essential component of the in-class exercises and final project. Students are expected to self-organize into teams of three or fewer for the final project; I can help form teams if requested. For in-class assignments, I will (semi-) randomly form students into teams at lecture; the purpose of this is to get you to work with different groups of people and expose you to different ways of thinking about problems. To counter free-riding incentives, you will be polled to confidentially assess the relative contribution of your teammates to the group exercises and final project efforts.

Grading of individual and group assignments are firm and final. There are no opportunities for extra credit. Late assignments are not accepted and will receive a grade of zero. If you anticipate any problems meeting the course expectations and assignment due dates, please contact me in advance.

Personal computers can be valuable classroom learning tools and are permitted during class. I expect that if you choose to use a computer (or other device) during class, you use it strictly to enhance your learning experience. The degree to which it distracts you from class discussion will be observed and noted on your participation grade.

Academic integrity is an essential element of a high-quality educational experience and is expected in this class. Academic integrity includes respecting both the letter and the spirit of the class rules. Course quizzes are specifically *individual* work and no collaboration is allowed among students. Final projects are *team* work and plagiarism will not be tolerated. The rules are designed to maximize the learning experience for all students, preserve the integrity of the class, and to help you practice the high level of integrity expected from environmental consultants, professional managers, and corporate officers. Please contact me with any concerns regarding practices and behaviors related to this course that appear to be lacking in academic integrity. UCSB Student Affairs provides a summary of your responsibilities as a UCSB student: <http://judicialaffairs.sa.ucsb.edu/AcademicIntegrity.aspx>

Tentative schedule

The following is a preliminary schedule of topics, readings, and assignments. Detailed assignment information and due dates will be posted to Gauchospace.

Date	Class	Topic	Case	Quiz / Project
2-Apr	1	Introduction		
4-Apr	2	Risk and return		
9-Apr	3	Capital markets		
11-Apr	4	Corporate finance		Milestone 1
16-Apr	5	Capital structure		
18-Apr	6	Cost of capital		Quiz 1
23-Apr	7	Project valuation	Midland	
25-Apr	8	Financial accounting		Milestone 2
30-Apr	9	Financial statements		
2-May	10	Financial ratios		Quiz 2
7-May	11	Forecasting	Identify the Industry	
9-May	12	Capital budgeting	Monsanto	Milestone 3
14-May	13	Valuation	Valuing Capital Investments	
16-May	14	Derivatives		Quiz 3
21-May	15	Environmental accounting		
23-May	16	Project finance		Milestone 4
28-May	-	Memorial Day; no class		
30-May	17	Trends in sustainable finance		
4-Jun	18	Final presentations		
6-Jun	19	Final presentations		Final memo