

AACSB
ASSURANCE OF LEARNING

Master of Finance

LEARNING GOAL # 4

Students are able to implement financial solutions to improve the performance of financial or non-financial businesses.

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# Introduction: Learning Goal #4

Goal: Students are able to implement financial solutions to improve the performance of financial or non-financial businesses.

The Master of Finance curriculum prepares students to make sound financial decisions for their personal goals and for businesses or organizations they serve. Students are imparted knowledge and provided opportunities to hone their skills to make these decisions. These decisions are in the form of solutions to financial issues facing businesses and organizations. The yardstick for evaluating these decisions is the impact on the performance of the businesses and organizations regardless of whether the primary industry of these businesses and organizations is financial or not. This aspiration of the Master of Finance program is formalized as Goal #4: Students are able to implement financial solutions to improve the performance of financial or non-financial businesses.

This goal is assessed in FIN 638 Corporate Finance – a required course in the curriculum for Master of Finance. The course familiarizes students with the tools they need to implement financial solutions and discusses how these tools can be used to improve the performance of public corporations or other businesses.

# Learning Objectives and Traits

The goal is composed of the following objectives and traits.

|  |  |
| --- | --- |
| **Goal** | Students are able to implement financial solutions to improve the performance of financial or non-financial businesses. |
| **Objective 1** | Students understand and can solve standard business financial problems. |
|  **Trait 1** | Solving time value of money problems |
|  **Trait 2** | Solving investment problems |
|  **Trait 3** | Solving financing problems |
| **Objective 2** | Students can model business financial problems and translate solution to business actions. |
|  **Trait 1** | Modeling financial condition and problem facing a business |
|  **Trait 2** | Translating knowledge and model solutions into recommended solutions for businesses |

# Rubrics

The rubrics describe the criteria for evaluation of students on various traits and objectives.

**Rubric for Objective 1: Students understand and can solve standard business financial problems.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Poor | Good | Excellent |
| Trait 1: Solving time value of money problems | Combines cash flows across time | Proficient at future value and present value calculations with a fixed interest rate | Proficient at time value of money problems with multiple cash flows and variable interest rates |
| Trait 2: Solving investment problems | Fails to identify incremental cash flows or fails to consider tax implications | Determines incremental after-tax cash flows for revenues and costs but misses opportunity costs, sunk costs, side effects, etc. | Accurately determines incremental cash flows and discount rate, and values investments with at least six types of cash flows |
| Trait 3: Solving financing problems | Fails to apply irrelevance theorems to financing problems without financial frictions | Solves quantitative problems about capital structure, payout policy, and corporate control without financial frictions, and qualitatively but not quantitatively with financial frictions | Solves quantitative problems about capital structure, payout policy, and corporate control, applying irrelevance theorems and impact of frictions including taxes and agency costs |

**Criteria for Objective 1**: A student does not meet expectations for Objective 1 if his/her performance is poor in more than one trait. Otherwise, a student exceeds expectations for Objective 1 if his/her performance is excellent in more than one trait. A student that does not meet the previous two criteria meets expectations for Objective 1.

**Rubric for Objective 2: Students can model business financial problems and translate solution to business actions.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Poor | Good | Excellent |
| Trait 1: Modeling financial condition and problem facing a business | Fails to comprehend and communicate qualitatively the financial choices and trade-offs inherent in business financial problems | Identifies financial trade-offs and links to standard business financial problems, and most relevant data | Precisely understands financial trade-offs, simplifies data and information to a structured format, and translates problem to standard business financial problems |
| Trait 2: Translating knowledge and model solutions into recommended solutions for businesses | Does not offer coherent advice or solution | Offers reasonable coherent advice based on a model of the problem  | Offers well-reasoned actionable advice based on a model of the problem |

**Criteria for objective 2**: A student does not meet expectations for Objective 2 if his/her performance is poor in any trait. A student exceeds expectations for Objective 2 if his/her performance is not poor in any trait and is excellent in at least one trait. A student that does not meet the previous two criteria meets expectations for Objective 2.

# Assessment Process

|  |  |  |  |
| --- | --- | --- | --- |
|  | When & where measured? | How measured? | Criterion |
| Objective 1 |  |  |  |
| Trait 1: Solving time value of money problems | Through course-embedded Problem Set 1 in the course Fin 638 (Corporate Finance). The trait is measured in the Fall semester in each year. | Individual assignments by students are evaluated by course instructor. All enrolled students are assessed. | Students are classified as Poor, Good, or Excellent, based on their score with cutoffs determined by the course instructor. |
| Trait 2: Solving investment problems | Through course-embedded Midterm Exam in the course Fin 638 (Corporate Finance). The trait is measured in the Fall semester in each year. | Individual assignments by students are evaluated by course instructor. All enrolled students are assessed. | Students are classified as Poor, Good, or Excellent, based on their score with cutoffs determined by the course instructor. |
| Trait 3: Solving financing problems | Through course-embedded Final Exam in the course Fin 638 (Corporate Finance). The trait is measured in the Fall semester in each year. | Individual assignments by students are evaluated by course instructor. All enrolled students are assessed. | Students are classified as Poor, Good, or Excellent, based on their score with cutoffs determined by the course instructor. |
| Objective 2 |  |  |  |
| Trait 1: Modeling financial condition and problem facing a business | Through course-embedded Case #1 in the course Fin 638 (Corporate Finance). The trait is measured in the Fall semester in each year. | Assignments by groups of students are evaluated by course instructor. All enrolled students are assessed. | Students are classified as Poor, Good, or Excellent, based on their score with cutoffs determined by the course instructor. |
| Trait 2: Translating knowledge and model solutions into recommended solutions for businesses | Through course-embedded Case #2 in the course Fin 638 (Corporate Finance). The trait is measured in the Fall semester in each year. | Assignments by groups of students are evaluated by course instructor. All enrolled students are assessed. | Students are classified as Poor, Good, or Excellent, based on their score with cutoffs determined by the course instructor. |

# Introduction to Results of Assessment

Each student who completes Fin 638 is assessed on each of the three traits of Objective 1 and on each of the two traits of Objective 2. The assessment is based on the student’s scores in the corresponding assignments.

The first table summarizes the assessment results for the traits of Objective 1. For each trait of Objective 1, it specifies the number of students whose performance is classified as poor, good, or excellent.

The second table summarizes the assessment results for the traits of Objective 2. For each trait of Objective 2, it specifies the number of students whose performance is classified as poor, good, or excellent.

The third table summarizes the assessment results for Objective 1 and Objective 2. For each objective, it specifies the number of students who do not meet expectations, who meet expectations, and who exceed expectations.

The fourth table specifies for each objective, the percent of students who meet or exceed expectations.

The templates for these summary results are provided below.

The summary results are followed by explanatory comments and recommendations by the instructor for Fin 638 about how content taught and pedagogy can be change to improve student learning.

# Results of Assessment

The following results are from the first assessment of the learning goals, carried out in Fall 2021.

Number of Students Assessed: 40

**Summary Results for Objective 1: Students understand and can solve standard business financial problems.**

|  |  |
| --- | --- |
|  | Number of Students |
|  | Poor | Good | Excellent |
| Trait 1: Solving time value of money problems | 1 | 11 | 28 |
| Trait 2: Solving investment problems | 6 | 16 | 18 |
| Trait 3: Solving financing problems | 5 | 24 | 11 |

**Summary Results for Objective 2: Students can model business financial problems and translate solution to business actions.**

|  |  |
| --- | --- |
|  | Number of Students |
|  | Poor | Good | Excellent |
| Trait 1: Modeling financial condition and problem facing a business | 4 | 16 | 20 |
| Trait 2: Translating knowledge and model solutions into recommended solutions for businesses | 4 | 28 | 8 |

**Summary Results for Learning Goal 4: Students are able to implement financial solutions to improve the performance of financial or non-financial businesses.**

|  |  |
| --- | --- |
|  | Number of Students |
|  | Do Not Meet Expectations | Meet Expectations | Exceed Expectations |
| Objective 1: Students understand and can solve standard business financial problems | 3 | 19 | 18 |
| Objective 2: Students can model business financial problems and translate solution to business actions | 4 | 16 | 20 |

**Percent of Students who Meet or Exceed Expectations**

|  |  |
| --- | --- |
| Objective | Percent of Students who Meet or Exceed Expectations |
| Objective 1: Students understand and can solve standard business financial problems | 92.5 |
| Objective 2: Students can model business financial problems and translate solution to business actions | 90 |

**Comments**:

1. Most of the students meet or exceed expectations for both objectives of Learning Goal 4.
2. Students performed better in trait 1 than in traits 2 and 3 of objective 1. This may be because students have been exposed to time value of money concepts covered in trait 1 in previous classes whereas concepts covered in traits 2 and 3 are most likely completely new to most students.
3. Objective 2 is evaluated through group assignments. Some students may not deliver to their full potential because (1) they are not used to solving complicated business problems, (2) are not used to business writing to communicate their work, or (3) do not work as hard as they would in an individual assignment.

**Recommended Remedial Actions**:

1. Provide extra practice opportunities for investment problems and encourage weaker students to attempt them to clarify their doubts.
2. Consider allowing students to revisit their case submissions to improve their writeup to earn extra credit or recover a fraction of the lost points.
3. Suggest students resources to get feedback on their writing of case reports.

# Outcomes from Previous Assessments

This is the first assessment of the learning goal so there are no previous assessments.

# Close Loop Process – Continuous Improvement Record

|  |
| --- |
| Objective 1: Students understand and can solve standard business financial problems |
| When Assessed | Fall 2021 |
| Recommended Remedial Actions | Provide extra practice opportunities for investment problems and encourage weaker students to attempt them to clarify their doubts. |
| Previous Assessment | None |
| Recommended Remedial Actions from Previous Assessment | Not Applicable |
| Actions Taken for Continuous Improvement | Not Applicable |
|  |
| Objective 2: Students can model business financial problems and translate solution to business actions |
| When Assessed | Fall 2021 |
| Recommended Remedial Actions | Consider allowing students to revisit their case submissions to improve their writeup to earn extra credit or recover a fraction of the lost points. Suggest students resources to get feedback on their writing of case reports. |
| Previous Assessment | None |
| Recommended Remedial Actions from Previous Assessment | Not Applicable |
| Actions Taken for Continuous Improvement | Not Applicable |
|  |  |

# Appendix: Assessment Exercise

Objective 1 is assessed through students’ performance on assignments that rely greatly on quantitative problems. Problem Set 1 consists of problems based on time value of money concepts and require students to both model and solve problems. The Midterm Exam assesses students on capital budgeting problems. Students prepare pro-forma financial statements, forecast cash flows, and use time value of money techniques to value projects. The Final Exam assesses students’ knowledge of corporate financial policies such as the financing policy. The problems ask students to evaluate the impact of specific financing, payout, and acquisition decisions. Students are graded for correctness as well as on their solution approach.

Objective 2 is assessed through students’ reports for two business case studies. Students analyze the case studies in groups and propose their solutions to the problems posed in the studies. Each report is limited to three pages of text followed by supporting exhibits. The reports answer the specific questions asked in the case but are structured to be a narrative of the conclusion of a study of the firm’s business problems. The reports should reflect sound analytical work with supporting material and discussion of assumptions and should clearly communicate the conclusions.