

BUSINESS 351
Corporate Financial Management
Fall Semester 2010

INSTRUCTOR: Janice Caudill
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843-3863 (Economics and Business Department office)
OFFICE HOURS: 12:30 – 2:00 p.m., Tuesdays and Thursdays
Other times by appointment

REQUIRED TEXT: *Fundamentals of Corporate Finance*, by Ross, Westerfield and Jordan, ninth edition.

RECOMMENDED TEXT: The Student Problem Manual that accompanies the textbook.

REQUIRED: Financial calculator, TI BAI Plus. (The TI BA II Plus app for the iPhone is not acceptable. The BA II Plus Professional is pretty, but not recommended.)

REQUIRED: Daily reading of Wall Street Journal. Other readings will be made available as they are assigned.

COURSE OBJECTIVES:

By the end of the course, the student should:

1. Understand NPV as a basic concept of corporate finance and be proficient in solving all types of time value of money problems.
2. Appreciate the relevance of finance in our daily lives through exposure to contemporary financial issues by outside reading and selected videos; in addition, you should be familiar with web sources of financial markets such as www.morningstar.com, www.bloomberg.com; www.wsj.com; www.finance.yahoo.com; www.marketwatch.com; www.fool.com
3. Have a sound grasp of underlying financial theories and the objectives and tradeoffs involved in corporate financial decision making.
4. Understand how today's financial manager uses spreadsheets and calculators to perform financial analysis and make capital budgeting decisions.
5. Be familiar with the key contributions of the Nobel laureates in financial economics, specifically Markowitz, Sharpe, and Miller and Modigliani.

COURSE STRUCTURE AND RESOURCES:

Actively participating in lectures, working homework problems, writing assignments using computer spreadsheets, and reading of contemporary issues in finance are activities expected of all students in this course. It has been found that students of finance learn better when they have plenty of opportunity for practice. There are many new concepts that will be introduced, all of which build on one another, and the student must stay current with the schedule in order to understand the lectures.

The Ross, Westerfield, and Jordan text has a strong approach to teaching the first course in finance. It emphasizes the modern fundamentals of finance and makes the subject come alive with contemporary examples. Corporate finance is the working of a small number of integrated and very powerful intuitions.

Class time will begin by answering questions left over from the previous session and placing the current topic in perspective to the course's objectives. There will be chapter lectures which will include working problems as a class or in small groups and then among the class as a whole.

The course will be organized around the 351 Folder housed in

\\Fileserver1\acad_dept_pgm\Econ_Bus\Caudill_Janice\Public

Please look in the folder entitled “Course Materials” before you come to class. It contains:

1. lecture notes for that chapter that we will work through in class
2. any articles you are to read before class, and it contains
3. other relevant materials, such as answers to suggested homework assigned for that chapter.

You will want to print out some of this material before class – certainly the lecture notes – and bring it with you so that you may take notes.

Students are responsible for reading the assigned material, and working the homework problems at the end of the chapter that relate to the readings before coming to class.

The Excel Tutor, the Student Problem Manual, and the Self-test CD are all supplements that support your study of this material. The student problem manual contains concepts for review, chapter highlights, and problems and tests along with answers in the back of the book. They are to help you master the material and provide more practice outside of class. You will not have assignments from these packets. The Student Problem Manual will be helpful as you review for tests.

GRADING:

The grading scale is as follows:

97-100	A+	73-76	C
93-96	A	70-72	C-
90-92	A-	67-69	D+
87-89	B+	63-66	D
83-86	B	60-62	D-
80-82	B-	< 60	F
77-79	C+		

Grades will be based on the following:

1. Section Test 1	20%
2. Section Test 2	20%
3. Section Test 3	20%
4. Financial Analysis Project	20%
5. Final Exam	<u>20%</u>
	100%

Each grade will be scored in terms of 100 points. Then the scores will be weighted as indicated above to determine the final grade.

Each student will take all three tests and complete his own financial analysis project. You may not drop any of your test scores. Students who earn a grade of A- or higher on all three tests and the financial analysis project may elect not to take the final, and have their grade calculated on the basis of their work done to that point in the semester (i.e. each item weighs 25% of the final grade). The course grade of a student who earns the choice not to take the final but who elects to do so will be calculated as originally shown, each component accounting for 20% of the final grade. Students who have earned this option must notify me of their intent to take / not take the final exam by Monday, December 13th.

Bonus Opportunities:

During many classes there will be opportunities for students to earn additional grade points (up to 2% of the student's final grade) through short quizzes or problems given in class. Since these are bonus opportunities and these grades do not count against the student, there are absolutely no make-ups on these assignments, regardless of your reason for a class absence. Bonus opportunities are designed to encourage students to stay caught up and to attend class having prepared the daily assignment. The material covered on the bonus opportunities will come from the day's assignment, current assigned reading, or from the previous class lecture.

Homework Problems:

Students are encouraged to work on the homework problems with another student or in groups. I will ask that students form study groups on the first day of class.

Although homework will not be collected, it is essential that you keep up with your homework. The end-of-chapter problems, the problems on the bonus opportunities, and the problems that the instructor works in class are indicative of the problems you will find on the tests. There is no substitute for working as many problems as possible. A copy of the answers to the homework for each chapter will be posted in my Public folder online.

Chapter Tests and the Comprehensive Final:

There will be three tests, each covering a major portion of material. The test dates are indicated in the course schedule. See the schedule on the last page of this syllabus. If, for some reason you cannot avoid missing an exam, or if an emergency arises, contact me as soon as possible. Those students with college-related activities may take the test earlier, but not later than other students. If you miss a test (with a valid excuse) and cannot quickly make it up, I reserve the right to refuse a make-up and increase the weight of the comprehensive final accordingly.

You will need to bring your financial calculator to each of the chapter tests and the final examination. Please note that the ONLY materials you may bring into a test are writing instruments, erasers, and your financial calculator. Other calculators, cell phones, and any type of electronic device are prohibited. It is your responsibility to know how to use the financial calculator, meaning that I will not answer questions about calculator functions during a test.

These tests will consist of problems and essays, weighted approximately 50/50. They will only cover certain chapters, but the student will soon recognize the “building-block” nature of the chapters. Tests will cover the chapters in the textbook, the lectures on those chapters, and any outside material assigned in conjunction with the chapters, including any outside readings that have been assigned.

Financial Analysis Project:

The financial analysis project is meant to provide you with practice in thinking critically; you will also work with computer spreadsheets and sharpen your writing skills. The financial analysis project consists of three phases: (1) ratios; (2) cash flow statement; and (3) narrative. You will receive points for each portion of the assignment: 35% of your grade for ratios, 15% for the cash flow statement, and 50% for the narrative. In addition to the information presented here, full details are given in my Public file on the Academic Server.

Each student will turn in two spreadsheets that he or she programmed, and a final, written analysis of the firm’s situation. The deadline for each phase of the project is the beginning of class on the day noted in the schedule on the final page of this syllabus. You may turn in your work by noon on the following day for no more than 9/10 credit. You may turn in your work by the beginning of the next class meeting for no more than 8/10 credit. Projects submitted beyond the beginning of the following class will earn a grade of zero.

The spreadsheet portion of the assignment is intended to be a learning experience. The spreadsheet assignments are not group projects, because one can’t learn to program spreadsheets

effectively unless one does the project individually. Each student is expected to attend at least one evening computer lab (during the week of September 27 – October 1, time TBA) to demonstrate to me that he is working on his own towards completing the spreadsheet analyses. In general, programming help is acceptable if it is limited to hearing a description of the features of Excel. Help is not acceptable if the result is that someone else makes changes in your spreadsheet or provides you with an already-worked spreadsheet because you don't know how to make the appropriate changes yourself. Copying all or part of another person's file into your spreadsheet, either electronically or keystroke by keystroke, is a violation of the Honor Code. Obtaining any help from any source on the analytical part of the case or the research part of the case is a violation of the Honor Code.

I will offer two evening sessions to give extra help in the computer lab. To repeat, each student must attend at least one of these sessions to show that he is working independently to program his own spreadsheet. If needed, you are always encouraged to come to my office for help. If you have never programmed Excel spreadsheets, you will find the Excel tutorial included with your text helpful.

Attendance Policy:

If you are absent from class due to illness or other excusable reason, you must provide me an explanation of the absence. Always follow up with an e-mail explanation so I will have a record. Whenever possible, this explanation should be given prior to the absence so your work may be continued with minimal interruption. An absence for which an excuse is not given or not accepted is an unexcused absence. It is the responsibility of the student to determine what make-up work is to be submitted whether the absence is excused or unexcused. When excessive absences from class jeopardize your work in the course, the Asst. Dean of Academic Affairs Notice will be sent as a warning that further absences will result in at least a lowering of the final grade, and may lead to failure in or a suspension from the course. If you receive such a notice, I ask that you meet with me immediately so that there is a complete understanding of the implications of continued absences. You will not be permitted to make-up Bonus Opportunities, whether excused or unexcused.

SUGGESTED READINGS FOR THOSE INTERESTED IN PURSUING A CAREER IN FINANCE OR GRADUATE WORK IN FINANCE:

Peter Bernstein's history of the development of financial theory called *Capital Ideas*
Three Nobel Laureates in finance: seminal works of Sharpe, Markowitz, and Miller
A Random Walk Down Wall Street by Malkiel
Graham and Dodd's Security Analysis
Berkshire Hathaway Annual Report by Warren Buffet

Suggested contemporary books are:

Infectious Greed by Partnoy

Take on the Street by Levitt

Irrational Exuberance by Shiller

Beyond Greed and Fear by Shefrin

24 Days: WSJ reporters on Enron's demise

Against the Gods: The Remarkable Story of Risk by Bernstein

The Revolution in Corporate Finance edited by Stern and Chew

The Bear Book by Rothchild

Conspiracy of Fools by Eichenwald

Black Swan by Nassim Nicholas Taleb

Fooled by Randomness by Nassim Nicholas Taleb

Advice from a previous semester's students when asked "Is there anything that you did that particularly helped you perform well in this course? Is there anything you wish you had done that in retrospect would have helped you? These are all inclusive and unedited.

1. Do all of the homework and stay caught up on the readings.
2. Read chapters. Do problems.
3. Go to class and do homework problems. Practice is good.
4. Do all your homework when it is assigned to you.
5. Do not skip class and read the chapters the night before the test.
6. Read (comprehend!) the book. What worked best for me was to outline the important concepts and equations from the book before class, which helps –bringing me to the next point. Studying bonus opportunities and handouts was THE most effective way to prepare for tests.
7. Keep on top of the theory and essay material type aspects instead of purely concentrating on the math so much. Both are equally important and both must be done.
8. Work back over problems within a couple of days of learning how to do them – make sure you really understand on your own and not just when the professor goes over them.
9. Keep up with reading – saves a lot of time when studying for essays on tests.
10. Working out problems outside of class is very helpful because it is the only way you can truly know if you understand the material.
11. Ask questions if you don't understand because IT WILL come up again in later chapters.
12. Know how to use the calculator!
13. Reading, outlining the chapters, and working problems in the back of the chapter were helpful. I would recommend copying the answers from the solution book and working at least some of the problems at the end of every chapter.
14. It would have helped me if I read and worked problems as we went along more. Especially in doing well on the bonus opportunities. I would study more for the quizzes if I had to do it over again.

COURSE SCHEDULE:

- We may deviate from this schedule in that we may not cover the topics on the dates shown.
- However, tests, exams, and deadlines for assignments will not be changed, so mark these in your calendars.
- Also note that there will be two computer labs during the week of September 27th – October 1st, times to be announced well in advance, and that all students must attend at least one of these labs.
- Daily reading of the Wall Street Journal is required.
- Students are also expected to bring lecture notes to class
- Students are expected to prepare for class by reading the text ahead of time and to have worked through suggested homework

<u>Day</u>	<u>Date</u>	<u>Topic</u>	<u>To Prepare Before Class</u>
THUR	August 26th	Ch. 1, Introduction to Finance	Read Ch. 1, answer suggested homework (found at the end of the lecture notes)
TUES	August 31st	Ch. 2, Financial Statements, Taxes, & Cash Flow	Read Ch. 2, answer suggested homework
THUR	September 2nd	Finish Ch. 2, Start Ch. 5, The Time Value of Money / WSJ	Read Ch. 5, answer suggested homework
TUES	September 7th	Finish Ch. 5, Start Ch. 6, Discounted Cash Flow Valuation	Read Ch. 6, answer suggested homework
THUR	September 9th	Ch. 6 / WSJ	
TUES	September 14th	Ch. 6	
THUR	September 16th	Ch. 3, Working with Financial Statements / WSJ	Read Ch. 3, answer suggested homework
TUES	September 21st	Ch. 3	
THUR	September 23rd	Get caught up on Chapters 1, 2, 3, 5, and 6	
TUES	September 28th	TEST1	
THUR	September 30th	Ch. 7, Interest Rates and Bond Valuation	Read Ch. 7, answer suggested homework
TUES	October 5th	Finish Ch. 7, Start Ch. 8, Stock Valuation	Read Ch. 8, answer suggested homework
THUR	October 7th	Ch. 8 / WSJ	
TUES	October 12th	Finish Ch. 8, Start Ch. 9, NPV and Other Investment Criteria	Read Ch. 9, answer suggested homework
THUR	October 14th	Ch. 9 / WSJ	Phase 1 due at beginning of class
TUES	October 19th	<i>Fall Break</i>	
THUR	October 21st	Ch. 10, Making Capital Investment Decisions / WSJ	Read Ch. 10, answer suggested homework
TUES	October 26th	Ch. 10	
THUR	October 28th	Ch. 10 / WSJ	Phase 2 due at beginning of class
TUES	November 2nd	TEST2	
THUR	November 4th	Ch. 12, Lessons from Capital Market History	Read Ch. 12, answer suggested homework
TUES	November 9th	Finish Ch. 12, Start Ch. 13, Return, Risk, and the SML	Read Ch. 13, answer suggested homework
THUR	November 11th	Ch. 13 / WSJ	
TUES	November 16th	Ch. 13	
THUR	November 18th	Ch. 14, The Cost of Capital / WSJ	Read Ch. 14, answer suggested homework
TUES	November 23rd	Ch. 14	
THUR	November 25th	<i>Thanksgiving</i>	
TUES	November 30th	Ch. 16, Financial Leverage & Capital Structure Policy	Read Ch. 16, answer suggested homework Phase 3 due at beginning of class
THUR	December 2nd	Ch. 16 / WSJ	
TUES	December 7th	TEST3	
	Office hours for	the week of December 8 th – 15 th will be different from those	during the semester. Times TBA.
WED	December 15th	8:00 T Th class has final 5:30 - 8:00 p.m.	BUS351 FINAL EXAM