

**The University of Texas at Dallas
Jindal School of Management
Spring 2016**

**FIN 3320
Business Finance**

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1. Course description:

This course is designed to teach the fundamental analytical tools of corporate finance and financial analysis. The course consists of three parts:

In the first part, we will begin by briefly reviewing some basic concepts of corporate finance. We will then learn basic techniques to analyze financial statements and introduce the time value of money. Next, we will discuss how to apply the concept in valuation of stocks and bonds.

In the second part, we will look at capital budgeting and project evaluation decisions. We will introduce the Net Present Value (NPV) rule, and other investment evaluation rules.

In the third part, we begin by introducing Efficient Market Hypothesis (EMH) and then analyze the inevitable trade-off between risk and return by developing and using the Capital Asset Pricing Model (CAPM). We then discuss cost of capital and its application in the capital structure theory.

2. Course objectives:

The major objective is to develop skills in solving multi-step financial problems, especially problems related to financial valuation and decision making. At the end of the course, you should:

- Be able to apply time-value-of-money concepts to various valuation problems.
- Be able to describe what drives a firm's cost of capital and how to estimate it.
- Be able to analyze investments in real and financial assets using various methodologies.

3. Pre-requisites:

Math 1326, Math 2333 (or OPRE 3333), ACCT 2301

Co-requisite: STAT 3360 or OPRE 3360

No student is allowed to waive these requisites. No exception.

4. Textbook and Courselink:

“Fundamentals of Corporate Finance”, S.A. Ross, R.W. Westerfield, and B.D. Jordan, **11th Edition**, McGraw-Hill Standard Edition.

Access to **McGraw-Hill Connect is required** for this course. Connect is an online software that allows students to submit homework assignments (**part of the final grades**) and check their work on-line.

The courselink is:

<http://connect.mheducation.com/class/h-xia-3320-502-hxia-sp16>

There are a few options to purchase the textbook and Connect:

1. All digital: Includes access to SmartBook and Connect. Available directly from McGraw-Hill via a course specific link provided above. ISBN # 9781259291852. Estimated cost: \$125.
2. All digital, as in option 1, but with option to purchase a loose-leaf, color-printed textbook. Available directly from McGraw-Hill. Estimated extra cost for the printed copy of the textbook is \$40, for \$165 total
3. All digital with optional loose-leaf print (same as option 2) purchased from the UT Dallas Bookstore. ISBN# 9781259407727. Estimated cost: \$275.
4. All digital along with traditional hard-cover textbook purchased from bookstore. ISBN # 9781259418952. Estimated cost: \$328.

After purchasing the textbook and Connect codes, register through the above courselink. You will then have access to the e-book (if you have purchased it) and your assignments.

Note: When registering, please use your full name that you used to register for this course at UTD. Otherwise, your assignment grades might not be able to matched to your UTD student file and your final grades.

5. Course Portal:

The UTD eLearning portal is where **course materials and announcements** will be posted.

Note: Please contact me for any questions using my school email address: Han.Xia@utdallas.edu, instead of using the “contact instructor” function in the course portal.

6. Calculators:

For this course’s exams, you are allowed to use any calculator that you prefer except for any calculator that (i) resides on a smart phone and/or (ii) has wireless access to the internet. Also, if you use a programmable calculator (e.g., TI - 83 Plus or TI - 84), you are not allowed to use the calculator’s programming features.

An exam proctor will monitor calculators before (or during) each exam to be sure that they comply with this rule; if a calculator is not compliant, the proctor has the authority to remove the calculator for further use on that exam. Please do not risk having to incur the consequences. If you plan to use an unfamiliar, obscure type of calculator, you should check with your instructor any time to see whether it meets the above rules.

Time-value-of-money material in this course will be taught to you in two ways: (1) using five fundamental math equations and (2) using financial-function keys on a calculator. If you master either approach, you are well-equipped to be successful in this course; mastering both approaches makes you even more competent.

Your course instructor is required to be fluent in the financial functions for only calculators that are made by Texas Instruments and contain financial functions (e.g., TI BA II Plus, TI - 83 Plus, TI - 84 Plus, TI - 86, etc.). If you choose to use the financial functions on any calculator that is not of the Texas Instruments brand, you are required to learn these keys on your own. Any common calculator will have a user’s manual, as well as tutorials on YouTube for how to use it.

SUGGESTION: If you use a TI BA II Plus (or Plus Professional), you will be wise to change the order of operations on your calculator, so that the keystrokes “2 + 3 x 4” yield 14 (and not 20 – ha!) or so that “6 + 3 ^ 2” yields 15 (and not 81!). Also, you also almost certainly want to re - program your calculator so that it reports results to five or six decimals (as opposed to two).

7. Grading:

Your final grade will be:

Class participation 10%
Problem sets 20%
Mid-term Exam 25%
Final Exam 45%

Final grades are curved. The estimated distribution of the grades is as follows: 10% A, 10% A-, the majority of the class (70%) will be in the range of B, C, and D. The rest will be F.

Detailed explanation:

1. Class participation:

You are expected to come to the class. Contributions to class discussion and question/answer sections or other forms of communications will be rewarded. Distracting behavior in class, such as chatting, sleeping, etc. will be punished.

2. Assignments:

There will be assignments after most weeks' class (estimated 10 assignments). Assignments will be distributed via Connect. You have one week to finish each assignment. The deadline for each assignment will be stated in each assignment. A grade of 0 will be assigned if you miss the deadline. No exceptions.

In each assignment, for each question, you have two attempts to answer the question correctly. You're allowed to refer to your notes/books/hints, and no points will be deducted if you do so, as long as you get your answer correct after two attempts. But your assignment is individual work. Each student's assignment is different, randomized by the Connect system. All assignments will be graded by the Connect system.

In addition, the solutions to the end-of-chapter problems in the textbook will be available for self-learning (not part of the final grades). You are encouraged to go through the end-of-chapter problems.

3. Exams:

1) Mid-term exam:

There will be an in-class midterm exam, which is closed book and closed notes. Missing the mid-term exam will result in zero grade in this part of the final grades.

2) Final exam:

A common final exam will be given for all students across all sections of this Fin3320 course as indicated on the course schedule. **The location for the final exam is Davidson Auditorium (JSOM 1.118). The date of the exam is Saturday, May 7. The time slot for our session (502) is 8:00-10:35am.** This time slot is assigned by the school and cannot be changed.

3) Missing an exam:

If a student is to miss the mid-term or the final exam in the event of a medical emergency, a car accident, or a religious holy day, the student must notify his/her instructor before the final exam begins **for approval**. Last-minute emergencies such as hospitalization, car wrecks on the way to the exam, et cetera, will have to be substantiated by supporting documents.

In all of these cases, the students will receive an incomplete grade (an “I”) in the course and will take the exams in a common-hour sitting early in the following semester. There will be no exceptions.

4) Both exams:

For both exams, you cannot bring backpacks, bags, books, cellphones, laptops, notebooks, or scratch paper. Please see the section in this syllabus for information about what types of calculators are permitted. You will have to bring a pencil, an eraser, an acceptable calculator, a Scantron form 882-E, and a photo ID (e.g., UTD Comet Card (preferred), state driver’s license, or passport). Students will not be able to take the exam without a photo identification.

5) Honor code:

You are reminded of University policy and regulations on honesty in academic work. You are expected to do your work in a manner consistent with the guidelines of the Honor System.

10. Tentative Course Outline:

The following schedule is a tentative outline of the course. More details will be updated as we proceed.

Week 1: Syllabus review and Introduction

Primary readings: Chapter 1

Week 2: Financial Statements Analysis

Primary readings: Chapter 2 & 3

Week 3: Time Value of Money

Supplementary readings: Chapter 5

Week 4: Discounted Cash Flow Valuation

Primary readings: Chapter 6

Week 5: Interest Rate and Bond Valuation

Primary readings: Chapter 7

Week 6: Stock Valuation

Primary readings: Chapter 8

Week 7: Net Present Value and Other Investment Rules

Primary readings: Chapter 9

Week 8: Mid-term Review

Week 9: Mid-term exam

Week 10: Spring Break

Week 11: Project Evaluation

Primary readings: Chapter 10 & 11

Week 12: Returns and Market Efficiency

Primary readings: Chapter 12

Week 13: The CAPM

Primary readings: Chapter 13

Week 14: Cost of Capital

Primary readings: Chapter 14

Week 15: Course Review Session

Week 16: Self study

Extended 3-hour office hours: May 2; 3pm – 6 pm

Final Exam: Saturday, May 7. 8:00-10:35am.