Fin3320.009 Business Finance – Spring 2017
Instructed by Michelle P. Connell, CFA

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Office HoursTues&Weds: 2-3:30
and by appointment.

Course Prerequisites:

The prerequisite courses for Fin3320 are Math1326, Math2333 (or OpRe3333), Acct2301, Acct2302, & MIS 3300. This Fin3320 course also has one co-requisite course: either Stat3360 or OpRe3360. Also, at an absolute minimum, I expect you to have a basic understanding of *Excel*, as well as a basic understanding of balance sheets and income statements.

Course Description:

This course offers rather in-depth coverage of the fundamentals of corporate finance, an overview suitable for any student who is interested in finance.

We begin by learning how to use accounting information to evaluate a firm's financial health and its tax burden, and we learn why investors care more about cash flow than accounting-based performance. We will spend a fair amount of time learning how insightful a statement of cash flows can be and how this statement ties back to the balance sheets and an income statement.

We will then spend a reasonable amount of time ensuring that you have a clear understanding of the time value of money — if there is one concept of which every student should walk away from this class with a clearer understanding, it is time value of money. We then use the time-value-of-money concepts to value an uncertain stream of future cash flows which an asset is expected to generate.

The second module begins with specific applications of the valuation of a stream of future cash flows: we learn how to value bonds and stocks. Next, we will study the fundamental investing and operating decisions undertaken by a firm's management. We will consider which of the many possible investment projects available to the firm are worth undertaking, using fundamental tools such as net present value analysis. We will delve into the tools' math, which relies heavily on time-value-of-money principles, and we will also learn the process that goes into determining which cash flows are relevant to, and should be included, in the analysis.

The third module has two main foci. We first focus on the trade-off between risk and return and on how portfolio diversification can reduce risk without compromising return! (Of course, we also need to know how to measure risk, as well as what kind of risk is important.) This diversification theory can serve an individual well either in his/her personal investments or in his/her role as a firm's manager, since a firm is effectively a portfolio of assets. We will focus on the most common sources of long-term financing (namely, debt and equity), as well as the costs and expectations associated with each respective source of capital. These variables will tie together into an important concept called weighted average cost of capital, which essentially tells the firm the average rate of return that its various investors are requiring. We will conclude with a brief overview of the theory of efficient markets.

Course Objectives:

You will learn to understand how and when to apply the basic concepts of financial analysis in a business setting, demonstrated through your ability to:

- 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.

Cumulative Final:

There will be a common final exam for FIN 3320. Key features of the Common FIN 3320 Final Exam include:

· The final exam should be weighted at 25% toward the final course grade.
· The common final exam will be taken online and administered at UTD's testing center.
· Students will be required to reserve a seat at the UTD testing center in order to take the exam - no walk ins will be allowed.
· A block of times during finals week will be available for exam seat reservations.
· When students register for FIN 3320 they will automatically be enrolled in a special section from which the Common Final will be administered. This section will appear on their eLearning dashboards.

Calculators:

Please note: I highly recommend the HP 10bii+. For the exams for this course, you are allowed to use any calculator that you prefer except for (i) calculators that reside on smart phones, and/or (ii) any calculator that has wireless access to the internet. Also, if you use a programmable calculator (eg, TI-83 or TI84), you are not allowed to use the calculator's programming features.An exam proctor will check your calculator before (or during) each exam to be sure that it complies with this rule; if the calculator is not in compliance, the proctor has the authority to remove your 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 before the actual exam date to avoid any potential complications during the actual exam.

The 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.

Text, **Lecture Notes**, **& Supplementary Notes**:

The required text is S. Ross, R. Westerfield, & B. Jordan, *Fundamentals of Corporate Finance*, 11th Ed., McGraw-Hill Companies, Inc. [with a *Connect* access code that is required for this course. The following are your four textbook options:

1. All digital: Includes access to SmartBook and Connect. Available directly from McGraw Hill. ISBN#9780077511326. Estimated cost is $125.

2. All digital, as in the first option.but with the option to purchase a loose-leaf textbook. Available through McGraw Hill as well. The additional loose-leaf textbook adds $40 to your costs.

3.All digital along with loose-leaf book (same as option 2), but purchased thru UT Dallas Bookstore. ISBN#9780078093876. Estimated cost is $275.

4. All digital along with the traditional hard-cover text from Bookstore. ISBN#9781259672484. Estimated cost is $328.

For each chapter, I will supply lecture notes and the PowerPoints. These lecture notes will all be posted on *eLearning*. Also, I will occasionally hand out supplementary notes, reading materials, example problems, etc. If these materials were created well before a given class, they will appear in the same folders as where you'll find the lecture notes. You'll want to bring these materials to class. In the event that I create a resource at the last minute, I will bring enough copies to class for everyone and I will then post the resource to *eLearning* as my schedule allows.

*****You do need Connect this semester. Connect* is on-line software that allows students to submit homework assignments check your work on-line.The web address for all of my sections for this Fin3320 course for *Connect* will be announced as soon as possible.** For each chapter (except for chapters 10 & 12), you will be completing a set of selected end-of-chapter problems that will constitute your homeworks for the semester. We will work similar exercises to all assigned problems in class. As shown below, homework constitutes 8.0% of the course grade; students are required to complete these homework sets on the McGraw-Hill Connect system.

Reading Assignments:

Before each class, you will want to casually look over the chapter(s) that is (are) scheduled for coverage. Reading assignments for each lecture are posted in the course schedule (on the final page). If we can remain on schedule, we will follow the course sequence as shown on the final page. **Even though a chapter's homework is due AFTER it is covered in class, I would STRONGLY SUGGEST that you try to complete the homework BEFORE the material is covered in class. The concepts will be understood faster and easier if you take this approach.**

Appointments:

If you want to meet with me outside of normally scheduled office hours, please email me *no more than 4 days in advance* of your desired meeting time. I should be able to accommodate you, provided (obviously) that my schedule is open. Also, please always feel welcome to stop by my office unannounced – as long as you understand that either I might not be there or I might be working on something too urgently to be interrupted.

Grading Policy:

Your grade will be based largely upon your performance on four exams, including a comprehensive final exam that will be taken in common, at the exact same time, by all students who are enrolled in all of the various sections of Fin3320 this semester. Exam dates are listed in the Course Schedule near the end of the syllabus. Please note that the exams are weighted differently, as shown in the table that follows. ROUNDING: Before calculating the final overall grade, each score (Exams 1, 2, and 3 and the Homework) is rounded to the nearest 100th of a percent. Final grades are also rounded to the nearest 100th of a percent. SCALE: A grade ≥ 93.33% is an A, a grade < 93.33% and ≥ 90.00% is an A−, a grade < 90.00% and ≥ 86.67% is a B+, a grade < 86.67% and ≥ 83.33% is a B, a grade < 83.33% and ≥ 80.00% is a B−, a grade < 80.00% and ≥ 76.67% is a C+, and so on.**Grading Policy** (continued)

Graded Item(s)	Weight	Graded Item(s)	Weight
Exam 1	20.0%	Homework Assignments	7.0%
Exam 2	20.0%		
Exam 3	20.0%	Final Exam	25.0%
Max. Score (Exams 1,2,3)	8.0%		

The calculation of your grade then is simply a weighted average. All scores must be reported on a basis of 100.

In determining your final grade, I have the option to make up to a 3.0% readjustment (only upward, not downward) on the basis of miscellaneous factors such as participation, interest shown in the course, steady improvement in exam scores, and so forth. Any adjustment will be made in increments of 0.50% and will be made sparingly, reserved for only the students deemed most exceptional in terms of the noted criteria.

Policy for Homework (HW) Scoring:

To expect any student to complete every HW assignment without penalty is unreasonable, in my opinion. I thus employ the following rule. The total points possible on the semester's worth of HW assignments are *roughly* 640. (I didn't take the time to go through all 11 assignments and add up the points; in addition, the total points changes very slightly from semester to semester). ***Your homework score will be calculated out of a base that will be 120 points lower than whatever the exact total is.*** If the total points possible equals 640 as I have guessed, your HW scores will be graded on a base of 520. If the total is, say, 610, the base will be 490, and so on. What this rule essentially accomplishes is that it allows any student either to skip a couple of assignments altogether or to complete all of the assignments with multiple sub-par performances – in either case with no penalty.

The maximum points that you can achieve will be equal to the base. In other words, you cannot obtain a HW score that is greater than 100% of the base – to do that doesn't seem fair to me. I prefer to just give each and every one of you the option to skip an assignment or two … when life gets challenging and busy on other fronts besides in Fin3320.

Attendance Policy:

While I do not take attendance every week, attendance is important since we only meet once a week. Therefore, attendance is critical **AND I do incorporate who I notice is not present into my final grade calculations.**

Exams Policy:

Exams are closed-book, closed-notes. Laptops are not allowed. The only kinds of calculator that are allowed are described earlier in the "Calculators" section of the syllabus. You must also each bring your Comet Card for proper identification during each exam.

I do not allow make-up exams. If you are to miss an exam due to acceptable circumstances, you must notify me 48 HOURS BEFORE THE EXAM, and I will explain your options to you. I reiterate: I do not allow you to make up for a missed exam if you do not notify me of your absence beforehand. On the other hand, if you do proactively approach me, I will provide you with a fair, reasonable option in the event that you have to miss an exam.

Also, please note the date of the comprehensive Final Exam. You must take the Final Exam as scheduled UNLESS YOU HAVE A RELIGIOUS REASON THAT PRECLUDES YOU TAKING AN EXAM ON A SATURDAY.

Curving: For any of the three mid-term exams, if the average score is less than 78.5 (out of 100.0), I reserve the right to upwardly revise every student's score by the difference between the class average on the exam and 78.5. Any upward revision will occur in parallel, across all students, in half-point increments until the 78.5 average is met or exceeded. Any upward shifts on the high end of the range of grades cannot result in any exam score that is greater than 100.0. Scores on the uniform final exam (described next) will be curved at the aggregate level, so that I will not curve the scores once they are delivered to me.

University of Texas at Dallas Policies and Procedures for Students:

The University of Texas at Dallas provides a number of policies and procedures designed to provide students with a safe and supportive learning environment. Brief summaries of the policies and procedures are provided for you at http://go.utdallas.edu/syllabus-policies and include information about technical support, field trip policies, off-campus activities, student conduct and discipline, academic integrity, copyright infringement, email use, withdrawal from class, student grievance procedures, incomplete grades, access to Disability Services (Office of Student AccessAbility – OSA), religious holy days, and avoiding plagiarism. You may also seek further information at these sites: http://www.utdallas.edu/deanofstudents, http://www.utdallas.edu/deanofstudents/policies, and http://www.utdallas.edu/studentaccess.

Academic Integrity:

The faculty expects a high level of responsibility and academic honesty from its students. Academic responsibility and honesty are important and any departures and/or violations could severely affect your grade and university status. For additional information, please see http://policy.utdallas.edu/utdsp5003.

Withdrawals:

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. The student is responsible for fulfilling the withdrawal requirements associated with any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" and receive a "W" instead in a course if you choose not to attend the class once you are enrolled. I will not announce withdrawal deadlines or any other enrollment-related dates.

I-PHONES, I-PADS, COMPUTERS AND OTHER PDAs (Personal Digital Assistants):

I understand that you have lives outside of the university. You may need to answer a text or leave the classroom to take a call. However, I will not tolerate rudeness or the interruption of the class with electronic devices.

If I feel someone is being rude, I will ask you to put the device away once. Then I will ask you if you want to leave with your device or stay in class. Everyone sacrifices a lot of time and money to attend UTD. Don't be inconsiderate to your fellow classmates-or me.

Closing Comments:

Let's have a fun, entertaining semester, students … while trying to learn quite a few useful concepts along the way. I am here to help you in any way I can. A solid infrastructure of resources and support is available to you, so I encourage you to take advantage of it!!

COURSE SCHEDULE:

Dates:

1/10/17	Start Module 1 (Chptrs 2,3,5 & 6)
2/7	No Class-Business Trip
2/14	Exam 1
2/21	Start Module 2 (Chptrs 7,8,9 & 10)
3/14	Spring Break Week
3/21	Exam 2
3/28	Start Module 3 (Chptrs 11,12,13 & 14)
4/18	Exam 3
5/2-5/8	Cumulative Final to be Taken