



FIN 357

FALL 2009

03080: TTH, 2:00 - 3:30PM, UTC 4.104;

03090: TTH, 3:30 - 5:00PM, UTC 4.104;

Professor	Hanjiang Zhang
Office	CBA 6.208
Office Hours	5:00 pm - 6:30pm (Tuesday and Thursday)
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Course Web Page	via Blackboard
Teaching Assistant	TBA

Course Objectives

This course is an introduction to the concepts and techniques of financial analysis, with an emphasis on corporate finance. This course provides the foundations for subsequent courses in corporate finance, security analysis, investments, fixed income securities, speculative markets, and real estate finance.

The objective of this course is to introduce you to the concepts of business finance and tools required for a financial manager. As a financial manager, your goal is to maximize the value of the firm to its owners by making investing and financing decisions. We will cover such main topics as (1) Time value of the money and asset valuations, (2) Project evaluation and investment decisions, and (3) Cost of capital and capital structure decisions.

By the end of this course, you should have a framework to understand major corporate financial decisions and understand the role of a financial manager. The approach to this class will be analytical and rigorous. Basic knowledge of accounting, mathematical and statistical tools are required.

Prerequisites

The prerequisites for this class include ACC 312, ECO 304K (or 303), ECO 303L (or 302), STA 309, and admission to a business major. These prerequisites will be enforced and students without prerequisites will be dropped from the course. According to the business school policy, I can not make exceptions to these prerequisites.

Materials

The textbook for this course is **Fundamentals of Corporate Finance**, 8th (or 9th) alternate edition, by Stephen A. **Ross**, Randolph W. **Westerfield**, and Bradford D. **Jordan**, McGraw-Hill Irwin, New York.

The lecture materials will be posted on the blackboard website. You should check the blackboard website frequently. As a rule, these notes will not be distributed in class, if you would like to have them available during the lecture, you should print and bring them with you to class.

Calculators and Computers

A basic financial calculator is required for this course. The Texas Instruments BAII Plus calculator is highly recommended. Laptop and Palmtop computers will not be allowed for the exams.

Students are expected to learn to use their calculators on their own. The textbook includes explanations and examples of how to use financial calculator in the relevant chapters. I can provide some basic helps after class if you have additional questions. You should become well acquainted with your calculator long before the first exam.

Course Grade Evaluation

The course grade will be based on your class participation, homework, midterm exams, and the final exam. More specifically, your grade in the course will be determined as follows:

	<u>Weights</u>
Class participation	5%
Homework	16%
Midterm #1	22%
Midterm #2	22%
Final	<u>35%</u>
	100%

Class attendance and participation are very important to understand the course materials. The attendance will be factored into the class participation points.

The homework assignments are important for understanding of the materials covered in the class. Group study is encouraged. Each group can have a maximum number of 5 students. But each student must hand in his/her own homework report. The other group members' names must be listed in the report. Your grade will be determined by the report you hand in. **All homework must be handed in at the beginning of the class on the due date. No late homework is accepted.** There are 5 homework assignments. Only the highest 4 homework grades will be used to determine your final grade. That is, you will be allowed to drop one lowest homework grade. Your final homework grade will be an equal weighted average of your highest 4 homework grades.

Both of the midterm exams will be given in class. The final exam will be given during Finals week. The tentative exam schedule is as following:

- Midterm #1: Tuesday September 29th;
- Midterm #2 Thursday October 22nd;
- Final Exam: TBA (during exam week).

Each midterm exam will be 80 minutes in length. The final exam will be cumulative. The length of the final exam will be determined later in the semester.

At the end of the semester, the raw number of points that you earned on each graded component (i.e., exams, homework assignments, class participation) will be averaged by the weighting percentages listed earlier. The weighted total scores for all students in both sections of my course will then be curved together to determine the final distribution. Your letter grade for the course will be based on your ranking in the course and on performances/scores that I consider reasonable. The plus/minus grading system will be used. In borderline situations, both class participation and improvement on your test scores throughout the semester will be determining factors.

Exam Policies

All assignments and exams are to be completed at the specified date and time. No make-up mid-term exams will be given. If you have a potential conflict, or other legitimate reasons to be absent, it is your responsibility to let me know as early as possible, and to provide me with the required documents. If you miss a mid-term for a *pre*-approved reason, the percentage weight of the mid-term will be added to the weight of your final exam. Students who miss an examination without a pre-approved reason will receive a grade of zero for the exam.

You are expected to have a financial calculator for all exams. Calculators cannot be shared during the exam, so please ensure that your calculator is fully functional before entering the exam session. All calculators are subject to inspection, calculators where you can write formulas or type in text are not allowed. During all exams, you will not be allowed to use notes, laptop computers, or any other electronic devices. You will need to bring to each exam the following items: writing instruments, financial calculator, and picture ID card.

Regrading Policy

Regrade requests for the first and second exams must be made in writing within three class days after the graded exams are distributed back to students. Final exam will not be returned. Review and regrade requests for the final exam must be made in writing during the first two weeks of the following semester. Requests must clearly and specifically state your reasons for objecting to your assigned score on a particular question. Requests that do not meet these guidelines will be discarded. In making your requests, please keep in mind that the whole exam is subject to regrading.

Preparing for Classes

The material for this course needs to be absorbed consistently. As the course progresses, you should read the relevant chapters in the textbook and work on the homework problems. The homework problems are *essential* for a full understanding of the material covered in the course. The exams will systematically include questions that are similar to the homework problems. After the lecture you should go through the class notes, relevant chapters, and finally check your understanding of the materials by completing the assigned homework.

The course material and the exams are cumulative by nature. The basic concepts that we cover early in the course provide the foundation for more advanced material that we address later. **Try to master the concepts as we cover the material and avoid “cramming” the week before the exam.** It is extremely difficult to catch up if you get behind on the readings and problem sets. I will schedule review sessions

prior to each examination, however, you should review the course material “early and often” on your own and/or in a study group.

Course Web Sites

All students must have access to the Blackboard web site for this course. I will use this venue to post class notes, assignments, announcements, and problem solutions. Check the Blackboard site regularly to ensure that you have the most current course information.

Web-based, password-protected class sites will be available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see:

<http://www.utexas.edu/student/registrar/catalogs/gi02-03/app/appc09.html>

Other Policies:

Academic dishonesty (as defined by the Policy Statement on Scholastic Dishonesty for the McCombs School of Business) will not be tolerated and will be dealt with in the most severe manner possible. I assume that all students in this course will act as if bound by this policy and you can expect the same from me. In particular, I will expect that on every individual assignment and exam the work you submit will be entirely your own and that you will provide a level and quality of input on group assignments commensurate with that of your colleagues. In addition, you must turn in your exam if you leave the exam room. Students who have taken an exam are prohibited from discussing the exam with students who have not yet taken the exam. Failure to follow the above may result in failure on the assignment/exam or in the course. The McCombs School Policy Statement offers this message on the subject:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Consistent with the policy of the Department of Finance, **the use of computers and other electronic devices in class is generally prohibited.** Accessing the internet, recreational programs, or e-mail and messaging accounts without prior consent of the instructor is strictly forbidden.

It is expected that **you will attend the section in which you are enrolled on a regular basis. This also applies to the midterm exams.** You may not attend a section of the course in which you are not

enrolled without the prior written (i.e., by e-mail) consent of the instructor. Such consent will only be granted to requests demonstrating sufficient merit.

It is expected that you will arrive on time to your class section. Each class session will run between 75-80 minutes in length. There will be no formal break given during any of these class sessions, so please come prepared accordingly.

The Provost's Office offers the following statement to help inform students of available resources and to fulfill due diligence for Americans With Disabilities Act (ADA):

The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY

Tentative Class Schedule

Date	Topics	Reading	Assignments
Th Aug. 27 th	1. Introduction	Ch 1	
T Sep. 1 st	2. Financial Statements, Taxes and Cash Flows	Ch 2	
Th Sep. 3 rd	3. Time Value of Money (TVM)	Ch 5	
T Sep. 8 th	-- continue		
Th Sep. 10 th	4. Discounted Cash Flow Valuation (DCF)	Ch 6	HW #1 due
T Sep. 15 th	--- continue		
Th Sep. 17 th	5. Interest Rates and Bond Valuation	Ch 7	
T Sep. 22 nd	6. Stock Valuation	Ch 8	
Th Sep. 24 th	Catch-up and Review for Midterm #1		HW #2 due
T Sep. 29 th	Midterm #1		
Th Oct. 1 st	7. Net Present Value (NPV) and Other Investment Criteria	Ch 9	
T Oct. 6 th	--- continue		
Th Oct. 8 th	8. Capital Investments	Ch 10	
T Oct. 13 th	--- continue		
Th Oct. 15 th	9. Break-even Analysis	Ch 11	HW #3 due
T Oct. 20 st	Catch-up and Review for Midterm#2		

Th Oct. 22 nd	Midterm #2		
T Oct. 27 th	10. Lessons from Market History	Ch 12	
Th Oct. 29 th	11. Return, Risk, and Security Market Line	Ch 13	
T Nov. 3 rd	12. Cost of Capital	Ch 14	
Th Nov. 5 th	--- continue		
T Nov. 10 th	13. Raising Capital	Ch 15	HW #4 due
Th Nov. 12 th	14. Financial Leverage and Capital Structure	Ch 16	
T Nov. 17 th	--- continue		
Th Nov. 19 th	15. Dividend Policy	Ch 17	
T Nov. 24 th	16. Leasing	Ch 27	HW #5 due
Th Nov. 26 th	Enjoy Thanksgiving holidays		
T Dec. 1 st	Catch-up and Review		
Th Dec. 3 rd	Review for Final Exam		
Final period	Final exam		

* Schedule for the course may require adjustment as the course progresses. It is subject to changes upon proper notification.