McCOMBS SCHOOL OF BUSINESS
THE UNIVERSITY OF TEXAS AT AUSTIN

FIN 357
BUSINESS FINANCE
COURSE SYLLABUS

Margaret R. Zhu | Classroom: UTC4.134 | Summer 2009

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Course info will be posted on blackboard.

Office Hours:

- MW 1:30-3:00pm (or by appointment)

Course Description

This is the basic corporate finance course and forms the foundations for subsequent courses in corporate finance, security analysis, investments, fixed income securities, speculative markets, and real estate finance. Its purpose is to provide an introduction to the concepts and techniques of financial analysis, with an emphasis on corporate finance. The main topics covered include (1) present value and capital budgeting techniques, (2) asset valuation and the trade-off between risk and return, (3) the operation and efficiency of capital markets, and (4) the financing decisions of the firm. After completing the course, you should be able to understand and critically evaluate the discussion of financial issues in the popular press and have a framework for analyzing the major types of financial decisions made by corporations.

Since the emphasis is on the fundamental concepts underlying modern corporate finance, the approach will be analytical and rigorous and requires some familiarity with accounting, mathematical, and statistical tools.

Prerequisites

The prerequisites for this class are: ACC 312, ECO 304K (or 303) and ECO 303L (or 302), STA 309, credit or registration for MIS 324, 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 may not make exceptions to these prerequisites.

Course Material

The textbook for the course is:

Stephen A. Ross, Randolph W. Westerfield, and Bradford D. Jordan, *Fundamentals of Corporate Finance*, 8th alternate edition, McGraw Hill, New York, 2008.

The book should currently be available at the bookstore.

Recommended Reading

- Wall Street Journal
- Business Week
- Forbes
- The Economist
- U.S. News & World Report
- Financial Times

Grading, Exams, and Homeworks

The course grade will be based on the following:

- Midterm exam - 20% (Thursday, July 30, tentative)
- Final exam – 40% (Friday, August 14, the last day of class)
- Two case studies – 20% total (10% each)
- The best three graded homework out of four - 15% total
- Class participation – 5%

The homework assignments are important for understanding of the material covered in the course. Group discussion is encouraged. But each student must turn in his/her own report. Since some of the assignments may be discussed in class, all assignments must be handed in at the beginning of class on the due date. No late homework is accepted. The solutions to the homework will be posted on the blackboard. There are 4 homeworks in total. The lowest grade (including 0) will be dropped before calculating the final grade.

There will be two case studies, which will be posted on the blackboard at least one week before the due date. They are simulation of real business situations. Your report should include assumptions, estimates, results and discussions. The detailed requirements will be given in each case study.

The midterm exam will be on Thursday, July 30 (tentative). The final exam will be on the last day of class and be cumulative. Sample exams and reviews will be given before each exam. Both exams will be close books close notes. Formula sheet will be provided.

Class attendance is very important to your understanding of the material. Lecture notes will be posted on blackboard. **No laptop or cell phone is allowed during lecture time.**

Your letter grade for the course will be based on your ranking in the course (the curve!), and on performances/scores that I consider reasonable. The general guideline is about 30% A, 40-50% B, 15-25% C, and 5% D or below.

Re-grading Policy

Re-grade requests for the midterm exams must be made in writing within one week after the graded exams are distributed back to students. Regrade requests for the final exam must be made within two weeks into the following semester. In making your requests, please keep in mind that the whole exam is subject to re-grading.

Preparing for Classes

The material for this course needs to be absorbed consistently. As the course progresses, students should work on the homework problems, as well as on the additional problems from the textbook that I will recommend. All these problems are *essential* for a full understanding of the material covered in the course. The three exams will systematically include questions that are very similar to the homework problems. You should find it helpful to read the relevant chapters from the Ross, Westerfield, and Jordan textbook before we cover the material in class; as in general the difficulty of the material covered in class will be at least that of the textbook. After the lecture you should go through the notes, and finally check your understanding of the material by completing the assigned homeworks.

Calculators and Computers

Each student is required to bring a calculator to classes and tests. At a minimum, the calculator must have ln, e^x, and x^y, buttons. Although a financial calculator is not required for the course, I **strongly encourage** their use as they will be helpful for this as well as future course work in finance, accounting, and other business disciplines. A student financial calculator (such as HP 10bII, TI BAII Plus or calculators with similar capabilities) should be adequate for all business courses. Because of the variety of calculators used, students will be expected to learn how to use their calculators on their own. **Per Finance department policy, laptops are not allowed during class and are not to be used during exams.**

Course WebPage

The different course material will, in general, be distributed through the course web page on the blackboard.

Students with Disabilities

The University of Texas at Austin provides upon request 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
(All reading corresponds to Ross, Westerfield, and Jordan)

		Date		Topics	Readings	Assignments
Week 1	M	July	13	1. Introduction	CH 1	
	T		14	2. Basic Valuation I – Time Value of Money	CH 5	
	W		15	3. Basic Valuation II – Perpetuities and Annuities	CH 6	
	Th		16	4. Basic Valuation III – Applications		
	F		17	5. Valuing Bonds I	CH 7	HW 1 due
Week 2	M		20	6. Valuing Bonds II		
	T		21	7. Valuing Stocks I	CH 8	
	W		22	8. Valuing Stocks II		
	Th		23	9. Capital Budgeting I	CH 10, 11	HW 2 due
	F		24	10. Capital Budgeting II		
Week 3	M		27	11. Capital Budgeting III		Case 1 due
	T		28	12. Capital Budgeting IV		
	W		29	Review		
	Th		30	Midterm		Midterm
	F		31	13. Risk and Return	CH 12	
Week 4	M	Aug	3	14. Portfolio Theory	CH 13	
	T		4	15. CAPM		
	W		5	16. Capital Budgeting under Uncertainty I	CH 16	HW 3 due
	Th		6	17. Capital Budgeting under Uncertainty II		
	F		7	18. Capital Budgeting under Uncertainty III		
Week 5	M		10	19. Corporate Financing		Case 2 due
	T		11	20. Capital Structure Theory I	CH 17	
	W		12	21. Capital Structure Theory II		HW 4 due
	Th		13	Review		
	F		14	Final Exam		Final Exam