McCOMBS SCHOOL OF BUSINESS THE UNIVERSITY OF TEXAS AT AUSTIN

FIN 357 BUSINESS FINANCE COURSE SYLLABUS

Carlos Parra Summer 2013

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Course Objective

The objectives of the course are to learn the concepts and general theories of corporate finance and more importantly to learn how to apply them to financial problems in order to make more informed decisions that you will encounter in your career as well as personal life. An immediate goal is that upon completing this course, you have a better understanding of the financial decisions firms have to face. For those of you interested in taking more finance courses, an additional objective of this course is to prepare you with all the background information necessary to do well in your advanced finance classes.

Course Description

Finance is discipline examining the financial market and corporations on the ground of economic reasoning. Hence, it takes a very rigorous approach on practical issues. Through the semester, students in this course will learn about fundamental issues of the field and key analytic tools used in the real business world. The main topics covered include: i) present value and capital budgeting techniques, ii) asset valuation and the trade-off between risk and return, iii) capital markets, and iv) the financing decisions of the firm.

Prerequisites

Accounting 311 or 311H, Economics 304K and 304L, and Statistics 309 or 309H; and credit or registration for Accounting 312 or 312H and Business Administration 324 or 324H.

Course Text

Stephen A. Ross, Randolph W. Westerfield, and Bradford D. Jordan, Fundamentals of Corporate Finance, 10/e, McGraw Hill, 2013, ISBN: 0078034639. The book is available at bookstores and online. Earlier editions should be good enough, but students will be responsible for any differences.

Calculator

Each student is required to bring a calculator to classes and tests. At a minimum, the calculator must have *ln*, ex, and xy, buttons. Although a business calculator is not required for the course, I encourage its use as it will be helpful for this course as well as future course work in finance, accounting, and other business disciplines. A student business 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 Structure

The course consists of lectures, homework, quizzes, and three in-class exams, each of which is designed to help you better comprehend the material covered and to test measure your mastery of the ideas and concepts covered.

The course grade will be based on the following:

- three (3) exams -25% each
- the best two (2) in-class quizzes (out of 3) 15% total
- homework 10% total

June 6th, 2013

The tentative schedule is as follows:

Exam 1 Monday, June 17th Exam 2 Monday, July 1st

Exam 3 See Final Exam Schedule

The primary goal of the lectures will be to cover the main ideas and theories pertaining to corporate finance and to relate them to what we observe in the real world. The purpose of quizzes is to provide students with a general benchmark of how well they understand the material and to give a representative picture of how well they would do on an actual exam.

The Homework assignments are designed to extend the ideas covered in class. Several homework assignments will be given throughout the semester. Homework will be given every week and will be due every Thursday before midnight. There are a total of 5 homework assignments. These assignments should be completed individually. The assignments are not graded, but are judged on completion (I will provide further detail on the homework assignments the first day of class). Late homework will not be accepted.

Exams are designed to test the depth of a student's knowledge and understanding of multiple topics and how topics relate to each other. Finally, attendance is not required.

Exam Policies

(1) **Missing exams without my prior approval**: Students missing a test without my prior permission will receive a zero on the exam

For those students who miss an exam with my permission, I will give a make-up exam. Requests for an excuse from a test must be made **in writing** and, except for extreme documented emergencies, their acceptance is determined solely at the instructor's discretion *prior* to the test.

- (2) **Quizzes:** Students that miss a quiz will receive a zero on it. There will not be a make-up quiz, since the best two quizzes out of three will be considered for the final grade.
- (3) **Homework Assignments:** Late assignments will not be accepted.

Grading Distributions

Your letter grade for the course will be based on your ranking in the course relative to other students (i.e., a curve). In general, there will be about 30% A's, 40-50% B's, 20-30% C's or below. However, I reserve the right to make adjustments to this distributions based on how the class performs as a whole. Students scoring in the top 10% of the class on the final exam will receive an A in the course provided they have completed all other assignments in the course (do all homework and taken all quizzes and exams). These A's will be additional and will not adversely affect any other student's grade. Hence, this rule is effective only for the students who fail to be ranked in top 30% in total scores but ranked in top 10% in the final.

Re-grading Policy

Re-grade requests for the first and second exams must be made **in writing** within three (3) class days after the graded materials is returned in class. Re-grade requests for the third exam must be made **in writing** within two weeks of the start of the fall semester. Requests must clearly and specifically state your reasons for objecting to your assigned score on a particular question. Please keep in mind that the whole exam, instead of a specific question, is subject to re-grading.

Preparing for Classes

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It is not required but strongly recommended to read the relevant chapters from the Ross, Westerfield, and Jordan textbook before we cover the material in class. After the lecture, you should go through your notes, and finally check your understanding of the material by completing homework assignments. Students will find that the three exams are based on textbook material, the basic concepts covered in lecture notes and their applications in suggested problem sets.

Course Web Page

Course material will be distributed through the course web page on Blackboard. Please familiarize yourself with Blackboard: http://courses.utexas.edu/

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.

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.

Scholastic Dishonesty

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 an/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.

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<u>Tentative Class Schedule</u>

(All reading corresponds to Ross, Westerfield, and Jordan. Please read ahead of the class except where indicated*.)

			June 6 1. Introduction to Corporate Finance*
			Ch. 1
June 10 (Mon.) 2. Basic Valuation I – Time Value of Money (TVM)	June 11 3. Basic Valuation II – Perpetuities and Annuities	June 12 4. Basic Valuation III – Applications	June 13 5. Valuing Bonds I HW #1 is due
Ch. 5	Ch. 6	Ch. 6	Ch.7
June 17 (Mon.) EXAM I	June 18 6. Valuing Bonds II	June 19 7. Valuing Stocks I	June 20 8. Valuing Stocks II HW #2 is due
	Ch.7	Ch. 8	Ch. 8
June 24 (Mon.) 9. Risk and Return	June 25 10. Portfolio Theory CAPM	June 26 11. Capital Budgeting I	June 27 12. Capital Budgeting II HW #3 is due
Ch. 12	Ch. 13	Ch. 2 and 9	Ch. 10
July 1 (Mon.) EXAM II	July 2 13. Capital Budgeting III Ch. 11	July 3 14. Capital Budgeting IV Ch. 11	July 4 Independence Day (Holiday) HW #4 is due
July 8 (Mon.) 15. Cost of Capital Ch. 14	July 9 16. Raising Capital Ch. 15	July 10 17. Capital Structure Theory I Ch. 16	July 11 18. Capital Structure Theory II and Review of Course HW #5 is due Ch. 16

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