

THE UNIVERSITY OF TEXAS AT AUSTIN



FIN 357 Business Finance Fall 2016

**PROFESSOR: MARY LOU POLOSKEY****OFFICE: GSB 5.176E****OFFICE HOURS: Tues. 1:00 – 2:00, Wed. 11:30 – 1:30 and by appointment****Section #: 03740 TTh 2:00 – 3:15 GSB 2.122****E-Mail: mary.poloskey@mcombs.utexas.edu****Required Materials/Actions:**

**Textbook: Ross/Westerfield/Jaffe/Jordan , *Corporate Finance: Core Principles and Application, 4<sup>th</sup> edition*, McGraw Hill.** There are several options, etext or hard copy etc. Choose whichever you prefer however be sure that the one you select includes access to Connect. Note the material for chapter 18 in the textbook will be replaced with chapter 18 material from a different textbook by the same authors. The replacement chapter 18, Valuation: Capital Budgeting of the Levered Firm, will be available on Canvas or directly from the instructor later in the semester

**Calculator with finance functions:** HP 10B II + is strongly suggested.

**Establish a Connect Account: This must be done through your Canvas site. Instructions will be posted.**

**Demonstrate competency in accounting and time value of money basics:**

The material in chapter 2 and chapter 4, sections 1 and 2 (basic TVM concepts) are considered review. They will not be covered in class. **Read Chapters 2 and 4 (sections 1 & 2), then complete the accounting review and the TVM review assignments available on Connect before 11:59p.m. on September 1.** These assignments are intended to help you gauge your level of preparedness for this class. Additional support to help you master TVM basics and calculator operations is available during the second week of class in the form of several 1.5 hour workshops (dates, time and location listed below). In addition the Finance Lab offers tutoring throughout the semester, see time and places below.

<u>Event</u>	<u>Time</u>	<u>Dates</u>	<u>Room</u>
TVM Workshop	5-6:30 & 6:30-8 pm	Aug. 29, 30 & 31	UTC 4.122
Finance Lab MTW	5-8 pm	Sept. 6-Nov 30	CBA 4.324
MTW	12 noon- 2:00 pm	Sept. 6-Nov 30	CBA 4.112AN

**Suggested Reading Materials:**

Wall Street Journal, Fortune Magazine, Business Week, The Economist and The Financial Times

## **Course Description and Objectives:**

Finance 357 introduces concepts and analytical techniques to identify and solve financial management problems. It serves as the **basis** for **all other** courses in the area of finance as well as providing basic tools that every business student will need to be successful in her/his chosen career. Students majoring in marketing, management and accounting, as well as those going further in the study of finance, will find this material an essential part of their business education. Regardless of the student's chosen career, these tools and techniques will provide the basic tools to make personal financial decisions. The major topics, which coincide with the chapters of the text, are shown below.

### **PART ONE: OVERVIEW**

CHAPTER ONE: Introduction to Corporate Finance

CHAPTER TWO: Financial Statements and Cash Flow

CHAPTER THREE: Financial Statements Analysis and Financial Models

### **PART TWO: VALUATION AND CAPITAL BUDGETING**

CHAPTER FOUR: Discounted Cash Flow Valuation

CHAPTER FIVE: Interest Rates and Bond Valuation

CHAPTER SIX: Stock Valuation

CHAPTER SEVEN: Net Present Value and Other Investment Rules

CHAPTER EIGHT: Making Capital Investment Decisions

CHAPTER NINE: Risk Analysis, Real Options, and Capital Budgeting

### **PART THREE: RISK AND RETURN**

CHAPTER TEN: Risk and Return Lessons from Market History

CHAPTER ELEVEN: Return and Risk: The Capital Asset Pricing Model (CAPM)

CHAPTER TWELVE: Risk, Cost of Capital, and Capital Budgeting

### **PART FOUR: CAPITAL STRUCTURE AND DIVIDEND POLICY**

CHAPTER THIRTEEN: Efficient Capital Markets and Behavioral Challenges

CHAPTER FOURTEEN: Capital Structure: Basic Concepts

CHAPTER FIFTEEN: Capital Structure: Limits to the Use of Debt

CHAPTER SIXTEEN: Dividends and Other Payouts

### **PART FIVE: SPECIAL TOPICS**

CHAPTER SEVENTEEN: Options and Corporate Finance

CHAPTER EIGHTEEN: Valuation and Capital Budgeting of the Levered Firm

CHAPTER NINETEEN: Raising Capital

## **Conduct of the Course and Academic Requirements:**

Class lecture is an important part of the course. Reading assignments from the textbook, readings from other outside sources and working assigned problems are required. All of the above are subject to examination. It should be noted that class attendance is considered essential for passing performance in the course. In addition, student participation is expected. This involves being prepared when called on in class to discuss any assigned material and/or to work assigned problems. The instructor may award bonus points to the quizzes for class attendance.

**Please note dates and times for exams and quizzes are provided in the course schedule (next to last page of this syllabus) distributed on the first day of class. Both the syllabus and course schedule are available on Canvas. Every student registered for the class is responsible for arranging his or her academic, work, social and travel schedules to accommodate the scheduled exams, quizzes and valuation exercise. Consequences for missing an exam, quiz or valuation exercise are detailed in the next section of this syllabus.**

**Student Performance Evaluation:** The final grade will be determined based on the items and weights identified and detailed below. The university approved +/- grading system will be used.

**Homework 5%**

**Quizzes 10%**

**Valuation Modeling: a required in-class exercise 5%**

**Exam I: 25%,**

**Exam II: 25%**

**Exam III: 30%**

**The grading guidelines for McCombs undergraduate classes recommends a range of 3.0-3.2 for business core courses. Historically the numerical cut off for each letter grade was as follows. The actual cut off will depend on overall class performance, i.e. history may or may not repeat itself in this regard.**

**A : 93+**

**A-: 90 -92**

**B+: 87-89**

**B : 83-86**

**B- : 80-82**

**C+: 77-79**

**C : 73-76**

**C- : 70-72**

**D+: 67-69**

**D : 63-66**

**D- : 60-62**

**F : less than 59**

**Exams:** The exams are multiple choice covering both problems and concepts. Exam III is not comprehensive and will have the same time allotment as Exams I and II. Exams can be reviewed after they have been graded. The method of review will be announced in class.

Common evening exams are scheduled for all FIN 357 sections and have been posted and confirmed to present no conflicts with other exams on the McCombs undergraduate dean's master evening exam list. Make up exams are offered for the following limited and compelling reasons:

- UT course conflict, please provide a copy of your course schedule. Non-UT course conflicts are not a compelling reason.
- Participation by a scholarship athlete in an intercollegiate athletic event, please provide a letter from the Athletic Department documenting your participation. Note team practice is not a compelling reason.
- Conflict with a University recognized religious holy day.
- Documented medical illness or personal injury approved by [Student Emergency Services](#) or [other area hospital](#). Register your situation with UT's [Student Emergency Services](#), they will ask you for proof. Instruct them to email the professor with their decision.

With the exception of the illness and injury reasons for missing an exam students should notify the professor of any course conflict, athletic participation, or recognized religious holy day conflict and present the documentation on or before September 9.

Dates for both the exams and the makeup exams are listed below, locations will be announced in class. **Exams last from 6:30-8:30, plan to arrive no later than 6:15.** Detailed instructions will be distributed before each exam.

Exam 1: September 21

Makeup Exam 1: September 23

Exam 2: October 26

Makeup Exam: October 28

Exam 3: December 5

Makeup Exam 3: Instructor will announce arrangements.

**Quizzes: Quizzes are administered in class (approximately 20 minutes.) and consist of 10 questions/problems.** Five quizzes will be given. There are no make ups for the quizzes, however only the best 4 of 5 scores will be counted. Any quizzes missed for a non-excused absence will count as a zero. Only students with university excused absences on quiz days will still drop their lowest quiz and average the remaining scores.

**Homework:**

**Required:** Sets of required homework problems are available on Connect. Students must complete the Accounting and TVM exercises on or before September 1. The remaining Homework sets are due as noted on the course schedule. The lowest homework score will be dropped and the remaining scores averaged to get the Homework grade.

**Optional problems** are listed on Connect as “Suggested Problems”

Problems are assigned for most of the chapters in the text. These problems will not be collected or graded and are suggested to give you additional opportunities to perfect your finance skills. Working problems is a necessary but not sufficient exercise for success in the course. In addition, the answers to all questions at the end of each chapter will be posted on Canvas.

**Valuation Modeling: a required in class exercise:** Valuation is a key component to all aspects of finance. Excel modeling is the best venue to express traditional valuation models. On the date scheduled in the course schedule you will be required to bring a laptop to class and independently complete an excel model and receive a grade based on your results. **Students that miss the class when the exercise was scheduled for reasons other than illness** (travel plans, interview schedule, etc.) have one option. After the class exercise date (not before), at the professors convenience, you may arrange to complete the exercise. **The most credit you can receive is 50% for a correct answer and less for an incomplete answer consistent with the grading scale for the in class exercise.**

## **Policies Affecting the Course**

### **University Policies**

#### **Students with Disabilities**

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>. **If you are eligible for academic accommodations you MUST inform the instructor two weeks prior to the first assignment affected by the accommodation Refer to notification deadlines below.**

#### **Exam Academic Accommodation Notification Deadlines:**

**Exam 1- September 7, 2016**

**Exam 2- October 12, 2016**

**Exam 3- November 21, 2016**

#### **Religious Holy Days Officially Recognized by The University**

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

#### **Policy on Scholastic Dishonesty**

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program’s Statement on Scholastic Dishonesty at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. 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, the integrity of the University, and the value of our academic brand, policies on scholastic

dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

### **Campus Safety**

Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>.

### **Classroom Policies**

**Calculators:** In general, calculators may be used when taking an exam. You cannot share calculators with others during the exam. Be sure to learn how to use your calculator and make sure the batteries have sufficient power **before** the scheduled exam.

### **Other Policies:**

- Talking during lecture is not permitted. It is disruptive to other class members and the instructor. Thank you for your cooperation in this matter.
- Please silence your cell phone, IPAD, or any other electronic device. You get one free ring the first week of class. After that it is \$5/ring with all proceeds going to a charity chosen by the class. NO TEXTING. Unauthorized texting can be interpreted as a form of cheating.
- If you miss a class, it is your responsibility to determine what was covered including any administrative Announcements. Expect that some of the material covered on exams will not be in the text. Hence, you are urged to attend class regularly.
- Make-up or extra work to improve your grade is not possible. Your final letter grade is determined by the criteria set forth in the student evaluation section of this syllabus.
- Office hours for the instructor may change during the semester to accommodate unforeseen circumstances. Such changes will be announced in class and /or posted on Canvas. Additional hours will be scheduled during exam weeks.
- Should you have to **leave class early**, please extend the courtesy of informing the instructor before the beginning of the period and leave quietly so as not to disturb the other members of the class.

**Schedule:**

<b>DATE</b>		<b>CHAPTER</b>	<b>Quiz/Exam</b>
25-Aug	TH	1	
30-Aug	T	3	
1-Sep	TH	4	<b>REVIEWDUE</b>
<b>4-Sep</b>	<b>SUN</b>		<b>HW1</b>
6-Sep	T	5	
8-Sep	TH	5	
13-Sep	T	6	<b>Quiz 1</b>
15-Sep	TH	6	<b>HW2</b>
20-Sep	T		
21-Sep	W		<b>EXAM 1</b>
22-Sep	TH	7	
27-Sep	T	8	
29-Sep	TH	8	
4-Oct	T	9	<b>Quiz2/HW3</b>
6-Oct	TH	10	
11-Oct	T	11	
13-Oct	TH	11	
18-Oct	T	12	<b>Quiz 3</b>
20-Oct	TH	12	<b>HW4</b>
25-Oct	T		
<b>26-Oct</b>	W		<b>EXAM 2</b>
27-Oct	TH	13	
1-Nov	T	14	
3-Nov	TH	<b>14</b>	
8-Nov	T	15	<b>HW5</b>
10-Nov	TH	19	<b>Quiz 4</b>
15-Nov	T	<b>Valuation</b>	
17-Nov	TH	<b>In-class</b>	<b>Exercise</b>
22-Nov	T	16	
24-Nov	TH	<b>Nov 23-27</b>	
29-Nov	T	17	<b>Quiz 5</b>
1-Dec	TH		<b>HW6</b>
5-Dec	M		<b>EXAM 3</b>