



## Course Syllabus

### FIN 357 Business Finance, Fall 2017

Unique 03605: MW 8:00-9:30 a.m., CBA 4.330

Unique 03615: MW 9:30-11:00 a.m., CBA 4.330

#### Section 1. Course Objective

The firm is an economic entity that strives to create wealth. Its success depends on the skills of its managers in making decisions that determine the firm's interaction with its economic environment. This course examines these decisions:

The investment decision: How managers look into an uncertain future and decide what assets the firm will acquire based on their view of their competitive markets.

The financing decision: How managers obtain the capital necessary to purchase the assets they require.

The working capital decision: How managers manage their cash to pay their short-term obligations.

These decisions are made in a market framework. You must therefore understand the major aspects of markets and how they influence these decisions.

#### Section 2. Contact Information

**Professor:** Dr. Robert C. Duvic

**Office:** GSB 5.176D

**Office Hours:** Monday, Wednesday from 11:00am to 12:00noon and by appointment

**Email:** [robert.duvic@mcombs.utexas.edu](mailto:robert.duvic@mcombs.utexas.edu)

I am also available by appointment. Please bear in mind that the federal student privacy policy (FERPA) prohibits us from discussing grade-related information via telephone or email.

#### Section 3. Tools & Materials

**Text:** We will be using **Corporate Finance: Core Principles and Application**, 5th edition, by Ross, Westerfield, Jaffe & Jordan, published by McGraw-Hill. There are several purchase options regarding the format of the text:

1. Hardcover book + Connect access: \$253.35 at the Co-op
2. Looseleaf book + Connect access: \$160.00 at the Co-op
3. Looseleaf book + Connect access: \$175.00 at Connect online
4. eBook + Connect access: \$115.00 at Connect online

**Connect:** We will be using Connect for all homework assignments. To get started, go to the FIN 357 page on Canvas and click on the link called "McGraw-Hill Connect." Detailed instructions are in the Syllabus module on Canvas. For assistance, click on "Help" in the upper-right hand corner of the screen, or call (800) 331-5094.

**Calculator:** You will need a calculator that can perform financial functions (eg. N, I, PV, PMT, FV). The HP 10B II + is strongly suggested for Finance majors. The TI 83-Plus (or higher) is acceptable for all other majors. You will not be allowed to use a cell phone or online financial calculator during an exam, nor will you be allowed to share your calculator with another student during an exam. I've posted a calculator guide in the syllabus module that will be very useful in the course.

**Email:** The [General Information Catalog](#) states: "Electronic mail (e-mail), like postal mail, is a mechanism for official University communication to students. The University will exercise the right to send e-mail communications to all students, and the University will expect that e-mail communications will be received and read in a timely manner." You can verify and/or update your email address here: [https://utdirect.utexas.edu/apps/utd/all\\_my\\_addresses/](https://utdirect.utexas.edu/apps/utd/all_my_addresses/)

**Periodicals:** It is highly recommended that you begin (or continue) the lifelong process of remaining abreast of business impacts of current events. Suggested reading includes *The Wall Street Journal* and *The Financial Times* (both are daily newspapers), and *The Economist*, *Business Week*, and *Fortune* magazines. Instructions for subscribing at reduced student prices will be posted on Canvas.

## Section 4. Prerequisites

To remain enrolled in FIN 357, you must have successfully completed STA 309 or 309H, and have completed or registered for ACC 312 or 312H, and B A 324 or 324H. Students lacking these prerequisite will be dropped. If you have concerns or issues, please visit the McCombs BBA Program Office, CBA 2.400, for assistance.

## Section 5. Tutoring

The Finance Tutoring Center will offer drop-in tutoring and homework help from September 5<sup>th</sup> through December 6<sup>th</sup>. Feel free to come and go as needed. Hours of operation are as follows:

Days	Times	Locations
Every Monday, Tuesday & Wednesday	12:00 noon to 2:00 pm	CBA 4.112AN (NRG Nu Room)
Every Monday, Tuesday & Wednesday	5:00 to 8:00 pm	UTC 4.112

## Section 6. Grading

Your grade in this course will be determined by your performance on the following:

- Exams: 3 exams @ 25% each 75%
- Quizzes/Cases 10%
- Homework: 12 highest (out of 14 possible) assignments 5%
- Class participation 5%
- Valuation Exercise: Case to be completed during class 5%
- Course Total 100%

The McCombs grading guidelines recommend a GPA range from 3.0 to 3.2 for undergraduate business core courses. Historically, the cut-off for each letter grade was as shown below.

A	93-100%	B-	80-82%	D+	67-69%
A-	90-92%	C+	77-79%	D	63-66%
B+	87-89%	C	73-76%	D-	60-62%
B	83-86%	C-	70-72%	F	0-59%

The actual cut-off will depend on overall class performance. In other words, past performance is not a guarantee of future results. The University-approved +/- grading system will be employed. Make-up or extra work to improve your grade is not possible. Your final letter grade will be determined by the criteria set forth above.

## Section 7. Exams

All students taking FIN 357 this semester will take common exams on the dates noted in the course schedule. Exams will begin at 6:30 p.m. and end at 8:30 p.m. Locations will be announced during class. The Finance department has confirmed that these evening exams do not conflict with any other exams on the Dean's master list of undergraduate evening exams.

There will be three exams in this course. All material covered in the course, including readings from the text, readings from supplementary materials, class discussions, all of the end-of-chapter "Concept Questions," and all of the end-of-chapter "Questions and Problems" are subject to examination.

Each exam will be non-comprehensive; that is, each will cover only the material related to that section. However, the material will build on itself as we proceed through the semester.

After they have been graded, exams can be reviewed during my office hours and by appointment.

Make up exams are offered only for the following reasons:

- A conflict with another UT course,
- Participation in an intercollegiate athletic event,
- A conflict with a University-recognized religious holy day,
- A medical event (such as illness or injury) documented by [Student Emergency Services](#).

If you have any circumstance other than a medical emergency that will necessitate taking a make-up exam, you must notify me and provide appropriate documentation **no later than Friday, September 15<sup>th</sup>**. Make-up exam dates are listed below.

- Make-up Exam 1: 3:00 to 5:00 pm, on Friday, September 29<sup>th</sup>, in UTC 1.104
- Make-up Exam 2: 3:00 to 5:00 pm, on Friday, November 10<sup>th</sup>, in UTC 1.104
- Make-up Exam 3: To be announced during class

## Section 8. Connect

**Homework:** At the end of each chapter of your text, there are several "Concept Questions," as well as many computational "Questions and Problems." Several of the latter

problems have been assigned as required homework in Connect. There are 14 sets of homework in Connect, entitled “Ch 2,” “Ch 3,” etc. The assignments are graded, but you will be allowed unlimited attempts. For each attempt, you will be provided a new set of values. Only your highest score for each assignment will be posted in the gradebook on Canvas. The scores on your lowest 2 assignments (out of 14 total) will be dropped.

Homework is due weekly. Due dates are provided in the Course Schedule at the end of this syllabus, as well as in Connect. Homework is due in Connect by 11:59 pm (one minute before midnight) on the due date. Homework is always due on a Sunday, with the exception of Ch. 5, which is due on a Tuesday. After their due dates, the homework problems will be available in Connect to re-work for additional practice.

**LearnSmart:** Connect also provides access to an adaptive learning tool called LearnSmart. This tool is a terrific way to approach your first reading of each chapter. More information about LearnSmart will be provided during class. Your LearnSmart results will not be graded.

## **Section 9. Cases/Quizzes**

Three separate cases will enable you to demonstrate your *Excel* modeling skills. The first two can be completed outside of class; the third (the Valuation Exercise described below) must be completed during class. Details will be provided during class.

## **Section 10. Class Questions**

In each class session I will ask between 10 and 20 questions concerning the material. These questions may be a review of text material, student opinion of a relevant situation, or answer to a quantitative question. These will be asked in a random basis, with the following grades assigned.

2 points: Student correctly answers the question. Some questions directly relate to the class material and the student should know the answer. Other questions seek to develop insights into the materials, or stretch the class beyond the text content, and several answers would be acceptable.

1 point: Student does not provide an acceptable answer.

0 point: Student is not present.

## **Section 11: Valuation Exercise**

Near the end of the semester, you will be provided with the opportunity to demonstrate your understanding of many FIN 357 concepts via an integrative valuation exercise. This exercise must be completed during class, using *Excel*. You must have a computer with you during class to

complete the exercise. If necessary, you can rent a computer from the Media Services desk on the 3<sup>rd</sup> floor of McCombs. For practice using your *Excel* skills, refer to both Connect and, if you are a McCombs major, Lynda.com. If you are absent on the day of the in-class valuation exercise and your absence is not substantiated by Student Emergency Services, you may, at my convenience, be given a new case to complete in my office. The highest possible score for a make-up case is 50%. Details will be announced during class.

## **Section 12: Religious Holy Days**

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, and you have provided proper advance notice, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

## **Section 13: Students with Disabilities**

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities (SSD), 512-471-6259, <http://diversity.utexas.edu/disability/>. If you are eligible for academic accommodations **you must present your SSD letter to me, during my office hours**, at least two weeks before you intend to employ the accommodation. **Notification deadlines** are below:

- Exam 1: Wednesday, September 13<sup>th</sup>
- Exam 2: Monday, October 23<sup>rd</sup>
- Exam 3: Monday, November 27<sup>th</sup>

## **Section 14: Academic Integrity**

Say you are in a very serious auto accident. As you are lying in the street your life is in the hands of the Paramedic. While you're going through the normal "Life flashing before your eyes" bit, you might also be thinking: Does she actually know how to stop my massive bleeding, or might she have cheated on her exam?

The only reason you are taking this course is to gain skills that you can use to benefit your employer. As with Austin-Travis County Emergency Medical Services, Tito's Handmade Vodka, etc. any organization will hire only those who will help the organization accomplish its goals. The real test of an education thus occurs not in a quiz or assignment, but rather in its use by the graduate.

Markets are very good at sorting out true value. To ensure that the reputation of our graduates in professional employment markets remains strong, McCombs has a straight-forward policy on ethics and academic integrity that supports The University's Code of Conduct.

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 [Policy Statement on Scholastic Dishonesty for the McCombs School of Business](#). By teaching this course, I have agreed to observe the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe 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. 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. Refer to the [Student Judicial Services website](#) 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.

All materials in this course are protected by copyright. Uploading copyrighted materials to course sharing websites such as CourseHero, GradeBuddy, etc. is not only an academic integrity issue, it is also against the law. All such actions will be reported to Student Judicial Services, and may result in both academic and legal penalties. The legal penalty for copyright infringement is a minimum of \$200 per document, plus all attorney fees and court costs related to the case.

## **Section 15: Campus Safety**

*“Please note the following information from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:*

- *If an alarm is activated, we are required to exit the building. Please follow my instructions.*
- *Familiarize yourself with all exit doors. Remember that the nearest exit door may not be the one you used when entering the building.*
- *Students requiring assistance in evacuation should inform me via email immediately.*
- *Do not re-enter a building unless given instructions to do so by the Austin Fire Department, or the University of Texas at Austin Police Department or Fire Prevention Services.*
- *Concerns? Call the Behavior Concerns Advice Line (BCAL) at 512-232-5050.*
- *Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>.”*

## Section 15: Course Schedule

Class	Date	Chapter	Topic or Activity
1	Aug 30	1	Introduction to Corporate Finance
	Sep 4		Labor Day Holiday
2	Sep 6	2	Financial Statements and Cash Flow
3	Sep 11	3	Financial Stmt. Analysis & Models (Sections 3.1 through 3.4)
4	Sep 13	4	Discounted Cash Flow Valuation
5	Sep 18	4	Discounted Cash Flow Valuation
6	Sep 20	5	Interest Rates and Bond Valuation
7	Sep 25	5	Interest Rates and Bond Valuation
8	Sep 27		<b>Exam 1 Review &amp; Evening Exam</b>
9	Oct 2	6	Stock Valuation
10	Oct 4	6	Stock Valuation
11	Oct 9	7	Net Present Value and Other Investment Rules
12	Oct 11	7	Net Present Value and Other Investment Rules
13	Oct 16	8	Making Capital Investment Decisions
14	Oct 18	8	Making Capital Investment Decisions
15	Oct 23	9	Risk Analysis, Real Options and Capital Budgeting
16	Oct 25	10	Risk & Return: Lessons from Market History
17	Oct 30	11	Risk & Return: The Capital Asset Pricing Model
18	Nov 1	11	Risk & Return: The Capital Asset Pricing Model
19	Nov 6		<b>Exam 2 Review &amp; Evening Exam</b>
20	Nov 8	12	Risk, Cost of Capital and Valuation
21	Nov 13	13	Efficient Capital Markets and Behavioral Challenges
22	Nov 15	14	Capital Structure: Basic Concepts
23	Nov 20 Nov 22	15	Capital Structure: Limits to the Use of Debt Thanksgiving Holiday
24	Nov 27	16	Dividends and Other Payouts
25	Nov 29		<b>Valuation Modeling: Required in-class exercise</b>
26	Dec 4	19	Raising Capital
27	Dec 6	17	Options and Corporate Finance (Sections 17.1 through 17.4)
28	Dec 11		<b>Exam 3 Review &amp; Evening Exam</b>

## Section 15: Homework Schedule

<b>Date</b>	<b>Chapter</b>	<b>Questions</b>
Sunday, September 10	2	1-5, 7, 14, 15, 17-20, 23
Sunday, September 17	3	1, 2, 4-6, 8, 9, 11, 14
Sunday, September 24	4	1-9, 11, 13, 19, 25-28, 34-37
<u>Tuesday</u> , September 26	5	1-4, 7-14, 16, 17, 19, 20
Sunday, October 8	6	1, 4, 5, 7, 10, 13, 15, 18, 22
Sunday, October 15	7	1, 2, 4, 5, 7-10, 12-14, 17
Sunday, October 22	8	1-4, 7, 10, 11
Sunday, October 29	9 & 10	Chapter 9: 1-4, 10, 22 Chapter 10: 1-4, 7-12, 17, 22
Sunday, November 5	11	1-3, 5, 6, 10-15, 23
Sunday, November 12	12	1, 2, 5, 6, 10-13, 17, 19
Sunday, November 19	14	12-15, 18, 25
Sunday, November 26	15	1, 3, 4
Sunday, December 3	16	2-6
Sunday, December 10	19	4-7