

THE UNIVERSITY OF TEXAS AT AUSTIN



## FIN 357H – BUSINESS FINANCE HONORS

FALL SEMESTER 2017

TTH 12:30–2:00, CBA 2.122 (UNIQUE# 03670)

<b>Professor</b>	Dr. Warren J. (Joe) Hahn
<b>Office</b>	CBA 6.228
<b>Office Hours</b>	MW 10:00 – 11:30 and by appointment
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<b>Course Web Page</b>	via Canvas

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### Course Objectives

Finance 357H 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 and it provides the 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 to be an essential part of their business education. Regardless of the student's chosen career, the analytical techniques introduced in the course will also provide the basic tools for making personal financial decisions.

The course is structured to introduce students to three core ideas underpinning finance: time value of money, risk and return and value creation. By the end of the course, these ideas will be translated to the following respective tasks which are essential to financial management: (1) present value calculation and capital budgeting, (2) asset valuation and evaluation of risk and return tradeoffs, and (3) financial decision-making for a firm.

The teaching approach used through the course will be to introduce the fundamental concepts (the "what"), followed by demonstration and practice with the accompanying analytical techniques (the "how"). The latter of these two aspects will require some familiarity with accounting, mathematical, and statistical tools, and will often be implemented in Microsoft Excel, as is common in business practice.

After completing the course, you should also 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.

## Course Material/Requirements

Required Text: Jonathan Berk and Peter DeMarzo, *Corporate Finance: The Core* (4<sup>th</sup> ed.), Boston, MA, Pearson, Inc., 2017.

Calculator with finance functions, e.g., HP 10B II (required)

Laptop computer with Microsoft Excel (not required, but recommended)

## Course Webpage

The course webpage in Canvas will serve as the primary mechanism for communicating course related information. PowerPoint and Excel files containing the lecture notes and numerical examples for the next class will generally be available 24 hours before the scheduled class meeting.

## Course Requirements and Grading

Your grade in the course will be determined as follows:

	<u>Weight</u>
Homework (MyFinanceLab)	20%
Homework (Excel)	20%
Exam I	20%
Exam II	20%
Exam III/Final Exam	<u>20%</u>
	<u>100%</u>

Homework is a key determinant of success in this course. Assignments in MyFinanceLab (you should set up an account at: <http://www.pearsonmylabandmastering.com/northamerica/>) are made up of short problems that will help you practice concepts that will be covered on the exams. Assignments will become available as we complete each chapter, and you will then have at least one week to complete them for full credit (exact due dates will be shown in MyFinanceLab). However, if you miss the due date, you can still complete the assignment for late credit (70% maximum credit) up until the last day of class (December 7<sup>th</sup>). These assignments will be graded by the MyFinanceLab system as you submit them, at which point you can also see the solutions. Your total score for all homework assignments in MyFinanceLab will make up 20% of your course grade.

Excel homework assignments will be posted in Canvas approximately every other week during the semester. These assignments are intended to help you develop basic financial modeling and analysis skills. Instructions for submitting Excel homework assignments are:

- Analyses of Excel homework problems are to be prepared by groups of up to two. Students can form their own groups, but please see me if you need help. Groups should remain constant for all of the assignments, barring extraordinary circumstances. Although not recommended, you may also work these assignments individually.

- All work for these assignments will be submitted electronically in the form of a Microsoft Excel worksheet via Canvas and is due by 12:00 noon on the day given on the assignment. Each group only need submit one assignment file.
- Solutions to the Excel homework will be reviewed in class on the day the assignment is due. Grades for these assignments will be communicated via rubrics distributed in class. If you wish to appeal your grade on any assignment, you have 10 days from the time it was returned to the class (not when you receive it). All Excel homework appeals should be e-mailed and addressed to me at [joe.hahn@mcombs.utexas.edu](mailto:joe.hahn@mcombs.utexas.edu)

The exams can be a mixture of true/false, multiple choice, short answer and problems. Exams I and II are scheduled during class time (see class schedule at the end of this syllabus). You may take one of two exams during the scheduled final exam period: 1) Exam III covering the material since Exam II, or 2) a cumulative final exam. If you choose option 2) and your exam score is higher than on Exam I and/or Exam II, your lowest exam score will be dropped and replaced by your score on the final exam. Alternate exam dates are not an option, and conflicts between the scheduled exams and other academic or work requirements should be resolved by the student. Calculators may be used when taking an exam, however, 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.

I do not grade class participation or attendance, but you are responsible for everything covered or assigned in class. The lectures may encompass additional material that is beyond what is covered in the textbook or in the course assignments; therefore it is important that you review your class notes as you prepare for the exams. Laptops are permitted in class, and you are encouraged to work along with examples that are presented in class. However, you should not be using your laptop to surf the web, check e-mail, etc. during class. Based upon observations in past courses, active involvement in class is highly positively correlated with the course grade received.

#### *Other Relevant Class Policies*

- Since I review solutions to the Excel homework in class on the day they are due, I cannot accept late submissions.
- I do not post solution files for the Excel homework, since we review them in class.
- Missing Excel homework assignments will receive a grade of zero, and make-up work is generally not possible.
- Because I want to encourage students to complete all assignments, I do not drop any homework grades.
- Before exams I will overview the material to be covered and discuss how to prepare, but I do not provide practice exams.
- I do not post exam solutions. We will review the Exam I and II solutions in class.
- Exams are to be taken at the scheduled time. If you are unable to attend an exam due to an emergency, your absence must be cleared through Student Emergency Services (SES) at <http://deanofstudents.utexas.edu/emergency/>. A missed exam that is not cleared through SES will receive a grade of zero.

- In no circumstance will I give an early exam.
- I keep all graded exams in my office but you can visit anytime to view your exam.
- You are welcome to discuss your final grade with me - after the semester break.

### **Important University-Mandated Notifications**

#### **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/>.

#### **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, 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, provided by 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>.

### **Business Honors Program Policy**

#### **The BHP Honor Code Statement of Intent:**

We, the students of the Business Honors Program (BHP), have adopted this code as an expression of our commitment to ethical standards. We believe honor and trust are essential to a superior academic experience and continued professional success. It is intended to unite us and create an atmosphere of trust and mutual respect. Each student must abide by and defend the code.

#### **Therefore we resolve that:**

- We will abide by University policies for academic integrity.
- We will neither give nor receive unauthorized aid during completion of academic requirements.
- We will not act to gain any unfair advantage or to cause academic or professional harm to another student.
- We will not misrepresent facts or qualifications at any time.
- We will not purposely obtain or possess property belonging to the University or another student without consent, nor will we deny other students access to university resources.
- We will treat all individuals fairly and with dignity regardless of race, gender, creed, age, disability, national origin, and sexual orientation.

#### **BHP Faculty Pledge**

We, the faculty of the Business Honors Program (BHP), pledge our support of the BHP Honor Code because we too believe that honor and trust are essential to a superior academic experience. We join in the students' commitment to ethical standards. We recognize the code is intended to bind us together, creating an atmosphere of trust and mutual respect. Commitment to these ideals is important not only in the academic environment, but is also vital to professional success. Thoughtful consideration of these issues will better prepare our students to face complex ethical discussions in the business community. We recognize that all students in the BHP are bound by this honor code. Students are expected to maintain absolute integrity, and to uphold and defend a high standard of honor in all scholastic work. Each student is expected to

compete fairly and ethically with his or her peers. We believe the BHP and all students in it are harmed by unethical behavior by any student.

Therefore we resolve that:

1. We support the policies of the University of Texas concerning academic integrity and will not tolerate acts of scholastic dishonesty.
2. We will provide guidance on the application of these principles to specific assignments and expect every student to follow all guidelines given for a specific assignment.
3. We acknowledge that both giving and receiving unauthorized aid during completion of any academic requirement, no matter how small, is cheating.
4. We expect our students will not act to gain any unfair advantage or to cause academic or professional harm unfairly to another student.
5. Unless collaboration is expressly permitted, assignments submitted for credit will be work done independently of honors students and all others.
6. In all activities, including but not limited to registration and placement, we expect our students not to misrepresent facts or qualifications at any time.
7. We also expect our students will not purposely obtain or possess property belonging to the University or another student without consent, nor will they deny other students access to university resources (e.g., libraries and career placement materials).
8. If we suspect a violation of this code has occurred, we will be diligent in identifying the student or students involved and will act consistently with the policies of the University of Texas concerning academic dishonesty.
9. Given the importance of academic honesty, we will endeavor to avoid ambiguity and assist students in upholding the Honor Code.

**Tentative Schedule**

Class	Date	Topic	B&D Readings	Excel HW due
1	Aug 31	Course Introduction, Financial Markets	Chapter 1	
2	Sept 5	Financial Decision Making, Time Value of Money	Chapter 3,4	
3	Sept 7	Time Value of Money	Chapter 4	
4	Sept 12	Time Value of Money	Chapter 4	
5	Sept 14	Interest Rates	Chapter 5	
6	Sept 19	Bond Valuation	Chapter 6	HW1
7	Sept 21	Bond Valuation	Chapter 6	
8	Sept 26	Valuing Stocks	Chapter 9	
9	Sept 28	Valuing Stocks	Chapter 9	HW2
10	Oct 3	Investment Decision Rules	Chapter 7	
11	Oct 5	Review		HW3
<b>12</b>	<b>Oct 10</b>	<b>Exam I (in class)</b>		
13	Oct 12	Risk and Return	Chapter 10	
14	Oct 19	Capital Asset Pricing Model (CAPM)	Chapter 11	
15	Oct 19	CAPM, Cost of Capital	Chapter 11, 12	
16	Oct 24	Cost of Capital	Chapter 12	HW4
17	Oct 26	Capital Market Efficiency	Chapter 13	
18	Oct 31	Capital Structure: Perfect Markets	Chapter 14	HW5
19	Nov 2	Capital Structure: Debt and Taxes	Chapter 15	
20	Nov 7	Capital Structure: Financial Distress	Chapter 16	HW6
<b>21</b>	<b>Nov 9</b>	<b>Exam II (in class)</b>		
22	Nov 14	Financial Statement Analysis	Chapter 2	
23	Nov 16	Capital Budgeting	Chapter 8	
24	Nov 21	Payout Policy	Chapter 17	
	Nov 23	<i>Thanksgiving Holiday (no class)</i>	Chapter 18	
25	Nov 28	Capital Budgeting: WACC Method	Chapter 18	HW7
26	Nov 30	Capital Budgeting: APV Method		
27	Dec 5	Capital Budgeting: Project-Specific Method	Chapter 18	HW8
28	Dec 7	Course Review and Wrap-up		
		<b>Exam III/Final Exam during Exam Week</b>		