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Course Web Page	via Canvas
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COURSE OBJECTIVES

BA 385T provides an introduction to fundamental concepts in finance. These concepts provide a framework for analyzing capital budgeting decisions (the investment decision). In other words, this class is designed to teach you the basic financial analysis that is used by firms to analyze projects. We will also discuss the financing decision and valuation. This course will be taught through a combination of lectures and problems.

MATERIALS AND PREREQUISITE

Text

Corporate Finance, 4th Edition, by Jonathan Berk and Peter DeMarzo (Pearson / Addison Wesley, 2016) (NOTE: you'll also be fine with the 3rd edition from 2013)

Packet

Corporate Finance, by Sanford J Leeds (2018) – available at the McCombs Copy Center (third floor) or you can print it yourself (posted on Canvas). You must bring a hard copy to class (we will not use technology in class).

Calculator

You will need a business calculator for this class. The calculator should have the following keys: IRR, n, i, PV, PMT, FV, and CF. As long as those keys are present, the calculator is fine. **I will give you instruction in class based on the HP 10bII+.** You are welcome to use other calculators, but (due to time constraints) I can only provide instructions based on the HP calculator. You should bring a financial calculator to every one of our class meetings.

Prerequisite

This course is limited to students enrolled in the MPA program.

PURPOSE OF THIS SYLLABUS

I have several goals in writing this syllabus:

1. to give you an idea of dates (to allow you to plan your semester);
2. to inform you of the topics we will cover and the work that you must complete; and
3. to explain my expectations (and to give you examples of things that have gone wrong in the past, such as students being habitually late or working together on individual projects).

Please be clear: I think that the most fair policy is to be direct about my expectations. But, it is very uncommon for any of these negative issues to arise.

COURSE GRADING

Midterm Exam: 40%

Final Exam: 40%

Collected HW: 20%

Grades: The target grade distribution is: A (4.0) 25%, A- (3.67) 20%, B+ (3.33) 15%, B (3.0) 35%, B- or below (2.67) <5%. Individual grades can also be adversely affected by violations of the Professionalism Policy (described below).

Exams: Your exams will be approximately 70% quantitative, but you will receive more detail before the exam (and the quantitative percentage could change). My exams tend to include most of the material that I have taught (rather than just a few big questions). The qualitative questions are usually short answer or multiple-choice.

You should realize that I test on what I teach. In order to prepare, you should review your packet notes (including slides), class notes, the uncollected homework problems that I have written, the uncollected problems from the back of the chapters and the collected homework. In addition, there are taped lectures (and slides) to help you review for the exam. All homework material and reviews are posted on Canvas.

I do not release old exams. I have found that releasing old exams is problematic because (1) it results in people studying “to the exam” rather than studying to learn; and (2) students inevitably feel that old exams are easier than the current exam. In addition, I do not allow students to keep their exams. This maintains the fairness of exams, since you know that no one has seen old exams. If, for any reason, you should come in contact with an old exam, I request that you (1) not review it; and (2) notify me immediately.

Collected Homework: You will have two collected homework assignments. You may do these assignments with one other person or you may do them alone. If you make a good-faith effort, the collected homework will not be a huge grade differentiator. **You are not permitted to ask questions of anyone else while doing the collected homework.** In other words, if you do this alone, you may not speak to anyone about the assignment. If you do it with a partner, that is the only person you may speak with about the assignment. This homework will be graded gently (if it appears that you made a significant effort). My goal in assigning this homework is to help you to prepare for the exams. If you do this with a partner, please make sure that you truly work this homework together. You will not learn by having someone else do the homework for you.

Uncollected Homework: There are two types of uncollected homework: problems that I have written (problems and solutions are on Canvas) and problems at the end of the chapters (with solutions posted on Canvas). These problems will help to reinforce the concepts we are studying. They will also help you to prepare for the exams.

How Grades Can Be Lowered

Finally, please realize that I lower grades based on violations of the Professionalism Policy (described below) and the Honor Code (also described below). This is not something I want to do and hopefully this will not occur. **It is particularly important to me that you arrive on time, stay for the entire class, keep your laptops closed, avoid texting or emailing and respect your peers. With the exception of some unusual issue (that you have mentioned to me before class), you should not have your phone out during class. Since you won't know that you're receiving a call (because your phone will be put away), it would be completely inappropriate to leave class to take a phone call.** As the semester progresses, you will realize that I will hold you to a very high standard, but I will hold myself (and how this class is presented) to an even higher one.

It is my belief that we all have a responsibility to make this a great class. This means that we all need to be prepared, attendance is mandatory and we all must be on time. If you are absent (or late) more than twice, I lower your final grade by one "level" for each occurrence. For example, imagine that your tests and homework qualify you for a course grade of A-. But, you missed one class and were late for two others. Two of those three occurrences would be excused. The other one will result in your grade being dropped to B+. As a second example, imagine that you were late three times and absent twice. Your A- would be lowered by three levels to a B-.

Your grade will be lowered by one "level" for each time that you use your phone in class. You will not receive any warnings. I need 75 minutes of your attention.

Again, it is never my goal to lower grades. But, I have to weigh having rules like this (which I don't like) versus having one person disrupt our class repeatedly. You should also recognize that I realize that things happen and you may be late for class one time. But, I want to create the best environment for the most people. (As a side note...I have taught thousands of students and I have had very few problems with disruptions. In addition, many students who have expressed appreciation for having a distraction-free environment.)

HOW TO PREPARE FOR CLASS AND EXAMS

Prior to the first class, I need you to do two hours of work. On Canvas, in “Files,” there is a folder called “Tapes of Class Lectures.” You should listen to the Unit 1 Lecture and the Unit 2 Lecture. As you listen, you will need to follow along with your packet notes that are in the Canvas folder. These tapes cover basic information that should be relatively easy. Completing this assignment will help us to stay on schedule this semester. There will be very few times that you will need to do this prior to other class meetings.

Please understand that the packet notes inside the Canvas taped lecture folder are slightly different than the packet that you have bought (or downloaded). The only significant difference is that the Unit 2 slides on Canvas are numbered Slides 1 – 6. In the packet that you bought (or downloaded), the Unit 2 slides are numbered 18 – 23. These are the same exact slides; the only difference is the numbering.

Throughout the semester, it is particularly important that you spend time studying after class (rather than before). After class, you should review the packet and notes and work the homework.

You should use the textbook if you did not understand what we discussed or if you need more information. (Please understand: I will **not** hold you responsible for topics covered in the text that are not in the packet or the homework. The packet and class notes contain everything that you need to know.)

Please NOTE: it is always possible that we will finish a lecture quicker than planned. As a result, you should always bring your packet notes for that day, as well as one lecture ahead.

With the exception of the two collected homework assignments, I will not collect homework. Homework should be done because you want to learn the material, rather than because you want to receive a check mark. Furthermore, I expect you to have discipline, rather than needing me to “force” you to do your homework. With that said, **there will frequently be times that I ask you to work a problem or read something before class. I consider this to be a required assignment – the same as the collected homework.**

I am a firm believer that you learn finance by working problems. If you attend class and work the problems in a timely fashion, you will do well. If you don’t work the problems in a timely fashion, this will be a very difficult class. Study the course packet consistently.

Since you won’t have time to do the homework problems again and again, let me suggest a good way to study. After you work the problems, every few days you should go back and re-read the questions. By doing this, you will trigger the thought process that you had to go through in order to answer the question. And always remember, it’s not a matter of whether you are able to answer the question the first time you see it...the issue is whether you can recognize it and answer the question in the future (and whether you can apply these concepts to the real world).

KEY DATES FOR SEMESTER

Oct. 8 – HW 1 Due

Oct. 23 – Midterm

Dec. 10 – HW 2 Due

TBD – Set by University

LATE ASSIGNMENTS WILL NOT BE ACCEPTED

Schedule

Date	Topics	Packet Units	Text Chap.	End-of-Chapter Problems (3rd Ed.)	End-of-Chapter Problems (4th Ed.)
8/29; 9/5	Maximizing S/H Value; Introduction to the Firm	1,2	1 and 29	Chap 1: 6,7	Chap 1: 6,7
9/10; 9/12; 9/17; 9/19	Time Value of Money	3	3,4,5	Chap 4: 1,8,10,12,18,20, 24,25,30A,31,34, 41,43,46 Chap 3: 1,2,6,8,9,10, 15,16,18,19 Chap 3 Appendix: 5,6 Chap 5: 4,6,25,36	Chap 4: 1,8,10,12,18, 20,24,25,31A,32,35, 42,44,47 Chap 3: 1,2,6,8,9,10, 15,16,18,19 Chap 3 Appendix: 5,6 Chap 5: 4,6,25,36
9/24; 9/26	Loans and Bonds (Applications of TVM)	4	5,6	Chap 4: 13,21,36,37,38,39 Chap 5: 14,20,22 Chap 6: 6,10,11,17,27	Chap 4: 13,21,37,38,39,40 Chap 5: 14,20,22 Chap 6: 6,10,11,17,28
10/1; 10/3; 10/8	Dividend Discount Model (Applic. of TVM)	4	9	Chap 9: 4,5,6,8,11,13,16,19	Chap 9: 4,5,6,9,11,13,16,19
10/10; 10/15; 10/17	Risk and Return	5 and 6	10,11,12	Chap 10: 2,7,11,27,37 Chap 11: 2,5,6,11,17,27,33, 38,48 Chap 12: 1,2,4,15	Chap 10: 2,7,11,27,37 Chap 11: 2,5,6,11,17,27,33, 38,48 Chap 12: 1,2,4,15
10/24; 10/29; 10/31	Intro to Capital Budgeting	7	7	Chap 4: 15,47 Chap 7: 2,6,9,17,18,20,21, 23,25,30	Chap 4: 15,48 Chap 7: 2,6,10,19,20,22,23, 25,27,32
11/5; 11/7	Free Cash Flow	8	2	Chap 2: 17	Chap 2: 17
11/12; 11/14; 11/19	Capital Budgeting	9	8	Chap 8: 2,6,7,9,12,14,16	Chap 8: 2,6,7,9,12,15,17
11/26; 11/28	Capital Structure and WACC	10	14,15,16	Problems I wrote	Problems I wrote
12/3; 12/5	FCFE	Handout	Handout		
12/10	Catch-up				

PLEASE NOTE: there is "catch-up time" scheduled for the final class. I fully expect to be behind at that point.

NOTE: Below, you will find the **MBA Professionalism Policy**. I believe it sets out fair expectations for the MPA program.

McCombs Classroom Professionalism Policy

MY COMMENTS ABOUT THE PROFESSIONALISM POLICY: I will expect you to comply with the Professionalism Policy and you should expect me to comply with it. I firmly believe that professional behavior (being on time, staying for the full class, no laptops) is crucial to a culture of learning. Additionally, this simple policy will do nothing to stop us from laughing in class and enjoying the learning process.

The Policy:

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this.

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

You should treat the Texas MBA classroom as you would a corporate boardroom.

The Texas MBA classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- **Students are fully prepared for each class.** Much of the learning in the Texas MBA program takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Laptops are closed and put away.** When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of laptops in class. Faculty will let you know when it is appropriate to use them. In such cases, professional behavior is exhibited when misuse does not take place.
- **Phones and wireless devices are turned off.** We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

Academic Dishonesty

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the degree and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

The responsibilities for both students and faculty with regard to the Honor System are described on <http://mba.mcombs.utexas.edu/students/academics/honor/index.asp> and on the final pages of this syllabus. As the instructor for this course, I agree to observe all the faculty responsibilities described therein. During Orientation, you signed the Honor Code Pledge. In doing so, you agreed to observe all of the student responsibilities of the Honor Code. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

As specific guidance for this course, you should not try to seek guidance about exams or types of questions from students who have previously taken this class. You should not do anything to aid future students in the testing process. Helping fellow students learn is an important part of our culture. I believe that it is easy to distinguish the attempt to help someone learn as opposed to the attempt to pass on information about exams.

Honor Code Purpose

Academic honor, trust and integrity are fundamental to The University of Texas at Austin McCombs School of Business community. They contribute directly to the quality of your education and reach far beyond the campus to your overall standing within the business community. The University of Texas at Austin McCombs School of Business Honor System promotes academic honor, trust and integrity throughout the Graduate School of Business. The Honor System relies upon The University of Texas Student Standards of Conduct (Chapter 11 of the Institutional Rules on Student Service and Activities) for enforcement, but promotes ideals that are higher than merely enforceable standards. Every student is responsible for understanding and abiding by the provisions of the Honor System and the University of Texas Student Standards of Conduct. The University expects all students to obey the law, show respect for other members of the university community, perform contractual obligations, maintain absolute integrity and the highest standard of individual honor in scholastic work, and observe the highest standards of conduct. Ignorance of the Honor System or The University of Texas Student Standards of Conduct is not an acceptable excuse for violations under any circumstances.

The effectiveness of the Honor System results solely from the wholehearted and uncompromising support of each member of the Graduate School of Business community. Each member must abide by the Honor System and must be intolerant of any violations. The system is only as effective as you make it.

Faculty Involvement in the Honor System

The University of Texas at Austin McCombs School of Business Faculty's commitment to the Honor System is critical to its success. It is imperative that faculty make their expectations clear to all students. They must also respond to accusations of cheating or other misconduct by students in a timely, discrete and fair manner. We urge faculty members to promote awareness of the importance of integrity through in-class discussions and assignments throughout the semester.

Expectations Under the Honor System

Standards

If a student is uncertain about the standards of conduct in a particular setting, he or she should ask the relevant faculty member for clarification to ensure his or her conduct falls within the expected scope of honor, trust and integrity as promoted by the Honor System. This applies to all tests, papers and group and individual work. Questions about appropriate behavior during the job search should be addressed to a professional member of the Career Services Office. Below are some of the specific examples of violations of the Honor System.

Lying

Lying is any deliberate attempt to deceive another by stating an untruth, or by any direct form of communication to include the telling of a partial truth. Lying includes the use or omission of any information with the intent to deceive or mislead. Examples of lying include, but are not limited to, providing a false excuse for why a test was missed or presenting false information to a recruiter.

Stealing

Stealing is wrongfully taking, obtaining, withholding, defacing or destroying any person's money, personal property, article or service, under any circumstances. Examples of stealing include, but are not limited to, removing course material from the library or hiding it from others, removing material from another person's mail folder, securing for one's self unattended items such as calculators, books, book bags or other personal property. Another form of stealing is the duplication of copyrighted material beyond the reasonable bounds of "fair use." Defacing (e.g., "marking up" or highlighting) library books is also considered stealing, because, through a willful act, the value of another's property is decreased. (See the appendix for a detailed explanation of "fair use.")

Cheating

Cheating is wrongfully and unfairly acting out of self-interest for personal gain by seeking or accepting an unauthorized advantage over one's peers. Examples include, but are not limited to, obtaining questions or answers to tests or quizzes, and getting assistance on case write-ups or other projects beyond what is authorized by the assigning instructor. It is also cheating to accept the benefit(s) of another person's theft(s) even if not actively sought. For instance, if one continues to be attentive to an overhead conversation about a test or case write-up even if initial exposure to such information was accidental and beyond the control of the student in question, one is also cheating. If a student overhears a conversation or any information that any faculty member might reasonably wish to withhold from the student, the student should inform the faculty member(s) of the information and circumstance under which it was overheard.

Actions Required for Responding to Suspected and Known Violations

As stated, everyone must abide by the Honor System and be intolerant of violations. If you suspect a violation has occurred, you should first speak to the suspected violator in an attempt to determine if an infraction has taken place. If, after doing so, you still believe that a violation has occurred, you must tell the suspected violator that he or she must report himself or herself to the course professor or Associate Dean of the Graduate School of Business. If the individual fails to report himself or herself within 48 hours, it then becomes your obligation to report the infraction to the course professor or the Associate Dean of the Graduate School of Business. Remember that although you are not required by regulation to take any action, our Honor System is only as effective as you make it. If you remain silent when you suspect or know of a violation, you are approving of such dishonorable conduct as the community standard. You are thereby precipitating a repetition of such violations.

The Honor Pledge

The University of Texas at Austin McCombs School of Business requires each enrolled student to adopt the Honor System. The Honor Pledge best describes the conduct promoted by the Honor System. It is as follows:

"I affirm that I belong to the honorable community of The University of Texas at Austin Graduate School of Business. I will not lie, cheat or steal, nor will I tolerate those who do."

"I pledge my full support to the Honor System. I agree to be bound at all times by the Honor System and understand that any violation may result in my dismissal from the Graduate School of Business."

Students with Disabilities

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259, 471-6441 TTY or via e-mail if you have any questions.

The University of Texas at Austin McCombs School of Business



Sanford J. Leeds
Distinguished Senior Lecturer
Department of Finance

- MBA, University of Texas Graduate School of Business, 1995
- JD, University of Virginia School of Law, 1989
- B.S., University of Alabama, 1986

Sandy Leeds is a member of the Finance Department faculty at The University of Texas. He has been on the faculty for 17+ years and served as President of The MBA Investment Fund, L.L.C. for 13 of those years. He teaches both graduate and undergraduate level courses, including Corporate Finance, Advanced Corporate Finance, Public Policy (Long-Term Issues in the Markets), Investments, Portfolio Management / Security Analysis, Macroeconomics, and Money and Capital Markets. He has a J.D. from The University of Virginia School of Law, an MBA from The University of Texas at Austin and a B.S. in Investment Management from The University of Alabama. He is a member of the Texas State Bar and holds the Chartered Financial Analyst designation.

Prior to joining the faculty, Sandy managed money for a private money management firm. He was one of four portfolio managers responsible for approximately \$1.6 billion of assets. He spent the majority of his time analyzing publicly traded companies. He also has extensive experience implementing option strategies.

In addition to money management experience, Sandy also has significant legal experience. He has conducted approximately 100 jury trials and 100 bench trials. He has participated in the regulation of the securities industry, conducting the hearing against most of the principals involved in the Sterling Foster case (a \$75 million fraud). He has also advised attorneys on financial related litigation involving options, hedge funds, and other matters.

Sandy is a frequent conference speaker, typically discussing the economy and the markets. He used to write a blog (LeedsonFinance) that attracted more than 10,000 subscribers. Recently, he joined Keith Brown and Frank Reilly as a co-author of the 11th edition of "Investment Analysis & Portfolio Management." This edition has just been released (spring of 2018).

At UT, Sandy has received numerous teaching awards, including three school-wide awards: the Joe D. Beasley Teaching Award (for teaching in the graduate program), the CBA Foundation Advisory Council Award for Teaching Innovation, and the Jim Nolen Award for Excellence in Graduate Teaching. He has received recognition from his students with the "Outstanding MBA Professor Award" (selected by the full-time MBA students in multiple years, the Evening MBA students and the Dallas MBA students) and the "Outstanding MSF Professor Award" (in multiple years). In 2015, he was selected (at the University level) to be a Provost Teaching Fellow and then served on the steering committee of that organization. Within the Austin community, he served a three-year term on the Investment Committee for the Austin Community Foundation (managing \$100 million) and recently finished a term as the vice-Chair for the Board of Trustees at The Girls' School of Austin.