

# FIN 357 – BUSINESS FINANCE

D

SPRING 2014

THE UNIVERSITY OF TEXAS AT AUSTIN



TTH	12:30AM – 1:45PM	UTC 4.104	SECTION 03165
TTH	2:00AM – 3:15AM	UTC 3.104	SECTION 03170
TTH	3:30PM – 4:45PM	UTC 3.104	SECTION 03175

<b>Professor</b>	Stuart Webb
<b>Office</b>	CBA 6.312
<b>Office Hours</b>	Tuesday and Thursday 5:00 PM – 7:00 PM, by Appointment
<b>E-Mail</b>	<a href="mailto:Stuart.Webb@mcombs.utexas.edu">Stuart.Webb@mcombs.utexas.edu</a> (email sent after 6 PM will be answered the following day)
<b>Course Web Page</b>	via Canvas ( <a href="http://canvas.utexas.edu">http://canvas.utexas.edu</a> )
<b>Teaching Assistant</b>	Christian Radev
<b>Email</b>	<a href="mailto:Christian.Radev@mba16.mcombs.utexas.edu">Christian.Radev@mba16.mcombs.utexas.edu</a>
<b>Review Sessions</b>	UTC 3.120
<b>TA Office Hours</b>	Wednesday, 1-3PM

---

## Course Objectives

Business Finance is designed to introduce students to the three basic ideas underpinning finance: the time value of money; risk and return and value creation. The aim of the course is to provide students with introductory exposure to (1) present value and capital budgeting techniques, (2) asset valuation and the trade-off between risk and return, and (3) the financing decisions of the firm. It provides students with a solid foundation that is built upon in subsequent courses in corporate finance, security analysis, investments, fixed income securities, speculative markets, and real estate finance.

Since the emphasis is on the fundamental concepts underlying corporate finance, the approach will be analytical and rigorous and requires some familiarity with accounting, mathematical, and statistical tools.

After completing the course, you should 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* (3<sup>rd</sup> ed.), Boston, MA, Pearson, Inc., 2013. (e-text available via MyFinanceLab. See below)

Calculator with finance functions:

Suggestion HP 10B II

Establish a MyFinanceLab account :

You can gain access by registering at the following URL using the section course ID below:

<http://www.pearsonmylabandmastering.com/northamerica/myfinancelab/>

<u>Section</u>	<u>Course ID</u>
03165	webb15129
03170	webb46787
03175	webb12428

(NOTE: Access to myFinanceLab and e-text of book is only \$106, if you don't mind not having a hard copy)

Suggested Materials

Subscriptions to one or more of *Financial Times* (free through the library), *Wall Street Journal*, *Business Week*, *Fortune Magazine*, or *The Economist*. We will cover the conceptual material to help you think through financial decisions, however, details of a particular issue I might ask your thoughts on may come from the press.

**Course Webpage:** The course webpage via Canvas will serve as the primary mechanism for communicating course-related information. A PowerPoint file containing the slides for the next class will be available before the scheduled class meeting. You are responsible for getting a copy of the file and bringing it to class.

Make sure your settings on Canvas are set to receive emails from Canvas when announcements are made. It is *your* responsibility to make sure you receive notifications when they are made.

Adobe Acrobat PDF files of the course syllabus, which includes a class schedule are available on the course web page. There will also be pdf files containing solutions to the end-of-chapter problems, which have been prepared by the publisher of the textbook. Please inform me or my TA if you feel you have found a mistake in any of these documents.

**Course Requirements and Grading:** Your grade in the course will be determined as follows:

	<u>Points</u>
Homework	10
Quizzes	10
Participation	5
Exam I	25
Exam II	25
Exam III	<u>25</u>
	<u>100</u>

To meet the newly developed UPO grading guidelines for undergraduate core courses, grades will be curved to achieve a G.P.A. of approximately 3.0 in this class.

**Class assignments:** See Course Schedule for class assignments, as well as dates for all course requirements (quizzes, exams, cases and homework).

**Homework:** Eight homework assignments are available on MyFinanceLab (see above for registration instructions). Students must complete ALL assignments on or before the due date and time. However only the best 5 of 8 scores will be counted. Late assignments will be counted as a zero. Students who fail to turn in an assignment at all will fail the class.

**Quizzes:** Quizzes are administered in class (approximately 20 minutes.) and consist of a maximum of 10 questions/problems. Three quizzes will be given. Conflicts between the scheduled quizzes and other academic or work requirements should be resolved by the student. There are no make-ups for the quizzes, however only the best 2 of 3 scores will be counted.

**Cases:** There will be one in-class case assigned, which will be discussed in class, but you will be responsible for preparing for the discussion. Participation in the discussion will count for 5% of your grade.

**Exams:** The exams can be a mixture of multiple choice, short answer, problems, and essay. Alternate exam dates are not an option. Conflicts between the scheduled exams and other academic or work requirements should be resolved by the student. Exams I and II are scheduled during class time. Exam III will be given during the final scheduled class period.

The HP 10BII+ will be the only supported calculator during the course. If you choose not to use it, I cannot help you with other models. If you want to use graphing calculators, you will be forced to clear the memory in front of me before any quizzes or exams. 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.

There will be no makeup exams.

**Re-grades:** If a mistake was made when grading any assignment, quiz or exam, a re-grade request must be submitted, in writing, outlining the mistake and why more credit is deserved. When asking for a re-grade, keep in mind this will open the ENTIRE assignment/quiz/exam to being re-evaluated, not just the section or problem where you feel a mistake was made.

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

Class lectures are 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.

Please note dates and times for exams and quizzes are provided in the course schedule (last page of this syllabus) distributed on the first day of class. Both the syllabus and course schedule are available on the course web page.

Talking and texting during lectures is not permitted. It is disruptive to other class members and the instructor. Please power off your cell phone, iPad, or any other electronic device. Thank you for your cooperation in this matter.

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.

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.

### **Email Correspondence and Course Questions**

Email received after 6 PM will be addressed the following business day. If emails contain questions about course mechanics such as grading procedure, exam/quiz schedules, homework due dates, etc. that have been addressed in the syllabus or previously announced in class or on Canvas, they will not be answered. Check the webpage about this information before emailing me.

### **University Policies Affecting the Course**

**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.

**Official Statement of Academic Integrity:** *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 their 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: [www.utexas.edu/emergency](http://www.utexas.edu/emergency).

## FIN 357 – Business Finance – Webb – Spring 2014 Class Schedule\*

Date	Class	B & D Chapter	Assignments Due	Topics & Assignments
20-Jan	T	1	1,2	Course Introduction and Financial Markets
22-Jan	Th	2	3,4	Time Value of Money I
27-Jan	T	3	-	HW 1 Time Value of Money II
29-Jan	Th	4	5	Time Value of Money – Bond Valuation I
3-Feb	T	5	6	HW 2 Time Value of Money – Bond Valuation II
5-Feb	Th	6	9	Time Value of Money – Stock Valuation I
10-Feb	T	7	9	Time Value of Money – Stock Valuation II
12-Feb	Th	8	7	Quiz 1 Investment Decision Rules
17-Feb	T	9	7	Cash Flows and Capital Budgeting I
19-Feb	Th	10	8	HW 3 Cash Flows and Capital Budgeting II
24-Feb	T	11	8	Exam Review
26-Feb	Th	12		Exam 1 In-class Exam
3-Mar	T	13	8	Analyzing the Project – Free Cash Flow
5-Mar	Th	14	8	Analyzing the Project – Risk Analysis
10-Mar	T	15	10	HW 4 Risk and Return
12-Mar	Th	16	11	Risk and Return II
17-Mar	T	--	--	-- SPRING BREAK
19-Mar	Th	--	--	-- SPRING BREAK
24-Mar	T	17	12	Cost of Capital
26-Mar	Th	18	12	HW 5 Cost of Capital II
31-Mar	T	19	13	Quiz 2 Investor Behavior and Market Efficiency
2-Apr	Th	20	14	Capital Structure Policy
7-Apr	T	21		HW 6 Exam Review
9-Apr	Th	22		Exam II In-class Exam
14-Apr	T	23	15	Capital Structure Policy II
16-Apr	Th	24	16	HW7 Financial Distress
21-Apr	T	25	17	Payout Policy
23-Apr	Th	26	17	HW 8 Payout Policy II
28-Apr	T	27		Case In-Class Discussion
30-Apr	Th	28	20	Quiz 3 Options and Corporate Finance
5-May	T	29		Exam Review
7-May	Th	30		Final Exam In Class Final Exam