



FIN 357H – BUSINESS FINANCE HONORS

SPRING SEMESTER 2017

Professor	Daniel Neuhann
Office	CBA 6.278
Office Hours	TH 4:00PM – 6:00PM
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Course Web Page	via Canvas

Teaching Assistants	- Jangwoo Lee (matizoma@gmail.com) Office hours: F 10AM-12PM (Ph.D. Lounge, GSB 5 th floor)
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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. The analytical techniques introduced in the course will also provide the basic tools for making personal financial decisions.

The course introduces students to three core ideas in finance: time value of money, risk and return, and value creation. We will study the fundamental principles underlying these ideas, and then relate them to three essential tasks in 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. 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 Materials

Required Text: Jonathan Berk and Peter DeMarzo, *Corporate Finance* (4th ed.), Boston, MA, Pearson, Inc., 2017, **with access to Pearson's MyFinanceLab**. *Note:* The 'Core Student Value Edition' is sufficient. The full textbook may be preferable to students looking to take more finance classes in the future, but this is up to you.

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

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

Course Webpage, Lecture Notes and other Resources

The course webpage in Canvas will serve as the primary mechanism for communicating course related information. Please ensure that you stay up to date by regularly checking for announcements and other updates. Lecture notes will be posted immediately after class. Practice problems for the exam will be made available a week in advance.

MyFinanceLab offers Dynamic Study Modules, as well as other resources, which allow you to practice and review the relevant materials for class and the exams. I suggest you make use of it.

Readings

There are required readings accompanying each lecture (see the course schedule at the end of this document). Updated reading requirements will be posted to Canvas as the course progress. It is your responsibility to keep up to date with all readings and to be fully prepared for each class.

Email

The professor and TAs will respond promptly to thoughtful emails, though not on Sunday and some Saturdays. All course-related emails must start with "[FIN 357]" in the subject line. Please address all questions and concerns to the TAs first. This will allow us to coordinate our answers and to make sure that all students have access to the relevant information.

Course Requirements and Grading

Your grade in the course will be determined as follows:

	<u>Weight</u>
Homework (MyFinanceLab)	20%
Midterm I	25%
Midterm II	25%
Final Exam	<u>30%</u>
	<u>100%</u>

Letter grades for the course will be based on the student's ranking in the course relative to other students (i.e. the curve). The curve will be in line with similar McCombs courses. In general, there will be about 35% A's, 50% B's and 15% C's or below. Plus/minus grades will be assigned for the final grade. The only exception is that there is no A+. Academic honesty will be taken very seriously, and failure to adhere to the policies listed below will be reflected in your grade.

Homework is a key determinant of success in this course – it allows you to practice. To access the homework assignments, you need to access MyFinanceLab (you should set up an account at: <http://www.pearsonmylabandmastering.com/northamerica/>). Once you have set up an account, you can access MyFinanceLab directly via canvas. 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). There is a 10% penalty on homework grades for each day past the deadline. These assignments will be graded by the MyFinanceLab system as you submit them, at which point you can also see the solutions. You are free to work on homework assignments in groups. However, each student must submit their answers individually.

The exams can be a mixture of true/false, multiple choice, short answer and problems. Some exam questions will focus on your conceptual understanding of the principles we discuss in class. Others will require you to work through concrete problems. The final exam will cover the entire course, and is scheduled during exam week. The midterms are scheduled during class time (see class schedule at the end of this syllabus). The first midterm will cover the material covered up to the exam date. The second midterm will cover the material covered between the first and second exam date. Alternate exam dates are not an option. Conflicts between the scheduled exams and other academic or work requirements should be resolved by the student. Students requiring special accommodations should request these from Services for Students with disabilities (see the contact information below). 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. There will be no replacement calculators available.

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 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. However, you should *not* be using your laptop to surf the web, check e-mail, etc. during class.

Other Relevant Class Policies

- 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.
- 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.
- There are **no verbal appeals** of grade changes. Exams will not be returned and can be reviewed only during the week following the reception of the grade. You must submit *to a TA* a **written statement** explaining the problem and we will be happy to re-grade the exam. The entire exam will be regraded and the score may increase, remain the same, or decrease.

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 – SUBJECT TO CHANGE!

Class	Date	Topic	Readings
1	Jan 17	Overview and Intro to Financial Markets	Chapters 1-3
2	Jan 19	Time Value of Money	Chapter 4
3	Jan 24	Time Value of Money	Chapter 4
4	Jan 26	Bond Valuation and Interest Rates	Chapter 5
5	Jan 31	Bond Valuation and Interest Rates	Chapter 6
6	Feb 2	Capital Budget and Investment	Chapter 7
7	Feb 7	Earnings and Cash Flows	Chapter 7
8	Feb 9	Cash Flow Sensitivity	Chapter 8
9	Feb 14	Stock Valuation	Chapter 9
10	Feb 16	Stock Valuation	Chapter 9
11	Feb 21	Midterm I (in class)	
12	Feb 23	Risk and Return	Chapter 10
13	Feb 28	Capital Asset Pricing Model (CAPM)	Chapter 11
14	Mar 2	Capital Asset Pricing Model (CAPM)	Chapter 11
15	Mar 7	Cost of Capital	Chapter 12
16	Mar 9	Cost of Capital	Chapter 12
17	Mar 21	Capital Market Efficiency	Chapter 13
18	Mar 23	Capital Structure: Perfect Markets	Chapter 14
19	Mar 28	Capital Structure: Taxes and Distress	Chapter 15
20	Mar 30	Payout Policy	Chapter 17
21	Apr 4	Midterm II (in class)	
22	Apr 6	Budgeting and Valuation with Leverage	Chapter 18
23	Apr 11	Budgeting and Valuation with Leverage	Chapter 18
24	Apr 13	Financial Options	Slides
25	Apr 18	Option Valuation	Slides
26	Apr 20	Real Options	Slides
27	Apr 25	Raising Equity	Slides
28	Apr 27	Mergers and Acquisitions	Slides
29	May 2	Governance	Slides
30	May 4	Course Review	

Final Exam during Exam Week