

THE UNIVERSITY OF TEXAS AT AUSTIN



# Course Syllabus

## Business Finance, Summer 2016

### Fin 357

**PROFESSOR: MARY LOU POLOSKEY****OFFICE: GSB 5.176E****OFFICE HOURS: Mon. & Wed. Noon - 1:00 and by appointment**

Section #: 71450	MTWTh	1:00 – 2:40	UTC 1.118
71455	MTWTh	3:00 – 4:40	UTC 1.118

**E-Mail: poloskey@swbell.net****Required Materials/Actions:**

**Textbook: Berk and DeMarzo, *Corporate Finance: The Core 3<sup>rd</sup> edition***, Boston, MA., Pearson 2014. There are several options, etext or hard copy etc. Be sure that the one you select includes access to Myfinancelab.com. Do not go with a trial version. It will run out and you will lose your work and credit for it.

The following meet this criteria:

		ISBN				
MyLab	with etext	0133082806 9780133082807				
MyLab + Student Value Edition	with etext	013342412X 9780133424126				
MyLab + Print Text	with etext	0133424138 9780133424133				

**Calculator with finance functions:** HP 10B II + is strongly suggested.

**Establish a Myfinancelab Account: Instructions will be handed out the first day of class. You will need your email address, the course ID and an access code that came with the version of the text you purchased. DO NOT USE THE TRIAL VERSION!**

poloskey48386 is the Course ID

**Demonstrate competency in accounting and time value of money basics:**

Please take special note. The material in chapter 2 sections 1-5 (financial statements, cash flow and taxes) and chapter 4 sections 1 and 2 (basic TVM concepts) are considered review. They will not be covered in class. You need to read both chapters 2 and 4, then complete the

accounting and TVM review assignment available on Myfinancelab. This assignment is intended to help you gauge your level of preparedness for this class.

### **Suggested Reading Materials:**

Wall Street Journal

Business Week

Fortune Magazine

The Economist

The Financial Times

### **Course Description and Objectives:**

Finance 357 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 as well as providing 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 an essential part of their business education. Regardless of the student's chosen career, these tools and techniques will provide the basic tools to make personal financial decisions. The major topics, which coincide with the chapters of the text, are shown below.

#### **PART I. INTRODUCTION**

1. The Corporation
2. Introduction to Financial Statement Analysis
3. The Law of One Price and Financial Decision Making

#### **PART II. TIME, MONEY, AND INTEREST RATES**

4. The Time Value of Money
5. Interest Rates
6. Valuing Bonds

#### **PART III. VALUING PROJECTS AND FIRMS**

7. Investment Decision Rules
8. Fundamentals of Capital Budgeting
9. Valuing Stocks

#### **PART IV. RISK AND RETURN**

10. Capital Markets and the Pricing of Risk
11. Optimal Portfolio Choice and the Capital Asset Pricing Model
12. Estimating the Cost of Capital
13. Investor Behavior and Capital Market Efficiency

#### **PART V. CAPITAL STRUCTURE**

14. Capital Structure in a Perfect Market
15. Debt and Taxes
16. Financial Distress, Managerial Incentives, and Information
17. Payout Policy

#### **PART VI. ADVANCED VALUATION**

18. Capital Budgeting and Valuation with Leverage
19. Valuation and Financial Modeling: A Case Study

#### **Part VII. Options (supplied by instructor)**

20. Financial Options

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

Reading assignments from the textbook, attending lectures 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 (next to last page of this syllabus) distributed on the first day of class. Both the syllabus and course schedule are available on Canvas. Every student registered for the class is responsible for arranging his or her academic, work, social and travel schedules to accommodate the scheduled exams and quizzes. Consequences for missing an exam or quiz are detailed in the next section of this syllabus.**

**Student Performance Evaluation:** The final grade will be determined based on the items and weights identified and detailed below. The university approved +/- grading system will be used.

**Homework 5%**

**Quizzes 10%**

**Valuation Modeling Exercise 5%**

**Exam I: 25%,**

**Exam II: 25%**

**Exam III: 30%**

**The grading guidelines for McCombs undergraduate classes recommends a range of 3.0-3.2 for business core courses. Historically the numerical cut off for each letter grade was as follows. The actual cut off will depend on overall class performance, i.e. history may or may not repeat itself in this regard.**

**A : 93+**

**A-: 90 -92**

**B+: 87-89**

**B : 83-86**

**B- : 80-82**

**C+: 77-79**

**C : 73-76**

**C- : 70-72**

**D+: 67-69**

**D : 63-66**

**D- : 60-62**

**F : less than 59**

**Exams:** The exams will be multiple choice covering both problems and concepts. Exam III is not comprehensive and will have the same time allotment as Exams I and II. Exams can be reviewed after they have been graded. The method of review will be announced in class.

With the exception of the illness and injury reasons students should notify the professor of any course conflict, athletic participation, or recognized religious holy day conflict and present the documentation on or before June 10.

Dates for the exams and quizzes are listed on the syllabus & will not be changed. No make-ups will be given. If a test is missed for an excused reason, an alternate test will be given on July 8<sup>th</sup>.

**Quizzes 10%: Quizzes are administered in class (approximately 20 minutes.) and consist of 10 questions/problems.** Three quizzes will be given. There are no make ups for the quizzes, however only the best 2 of 3 scores will be counted.

**Homework:** There are two forms of Homework assignments, required and optional.

**Required 5%:** Seven sets of required problems are available on Myfinancelab. Students must complete the Accounting/TVM exercise the 6 remaining sets on or before the due date and time. The attempts are unlimited and homework will be graded at the due date. No extensions will be given, but one of the 7 will be dropped.

**Optional problems are listed on the Canvas under “Suggested Problems”**

Problems are assigned for most of the chapters in the text. These problems will not be collected or graded; however on a rotating basis, students may be called on in class to provide solutions and they will serve **as the basis for the quizzes and exams**. Working problems is a necessary but not sufficient exercise for success in the course

**Valuation Modeling: exercise:** Valuation is a key component to all aspects of finance. Excel modeling is the best venue to express traditional valuation models. On the date scheduled, you will be required to turn in a print out of a solution to a modeling problem that will be handed out during the class period before. Any assignment that is turned in late will lose 10% per day.

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

### **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/>. **If you are eligible for academic accommodations you MUST inform the instructor two weeks prior to the first assignment affected by the accommodation (for example first quiz or exam). Refer to notification deadlines below.**

### **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 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 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>.

### **Classroom Policies**

**Calculators:** In general, calculators may be used when taking an exam. 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.

#### **Other Policies:**

Talking during lecture is not permitted. It is disruptive to other class members and the instructor.

Thank you for your cooperation in this matter.

Please silence your cell phone, IPAD, or any other electronic device. **NO TEXTING IN CLASS.** Unauthorized texting can be interpreted as a form of cheating.

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.