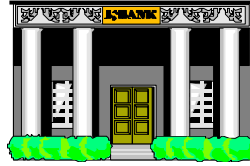


UNIVERSITY OF ILLINOIS AT CHICAGO  
COLLEGE OF BUSINESS AND ADMINISTRATION  
FINANCE 431 - SYLLABUS  
MANAGEMENT IN THE FINANCIAL SERVICES INDUSTRY CRN 21552



INSTRUCTOR: M. R. Brown, Clinical Associate Professor of Finance

OFFICE: 2330UH

PHONE: 996-4552 (O)

OFFICE HOURS: Tuesday, 3:45 - 5:45 after Week 2; Email: [mrb@uic.edu](mailto:mrb@uic.edu)

TEXT: Bank Management and Financial Services by Rose and Hudgins; 9<sup>th</sup> edition

TEACHING ASSISTANT:

COURSE DESCRIPTION: This course covers effects of the sweeping changes that have occurred in our financial system during the last two decades and its impact on the management in the financial services industry. Emphasis will be placed on the management and survival of commercial banks in a dangerous, turbulent and very risky environment with regulation, deregulation and re-regulation major considerations. With an eye to the current situation in the financial markets, special consideration will be given to asset liability management, the mistakes made by the financial services industry, federal and foreign central banks and political systems. Theory will be hand in hand with practical experience.

Students will, through simulation manage a large regional bank, making decisions that affect the profitability and stock price of the bank for 4 quarters. Through the simulation, the class will learn how to prepare economic forecasts, how the bank uses the forecasts, apply asset liability management theory to realistic situations, management the loan and investment portfolios of the bank, as well as the allocation of its resources among variables such as commercial loans, consumer loans, opening/closing branches, giving raises to employees, etc.

## LEARNING OBJECTIVES:

At the end of this course, the student should know/understand:

- Structure/history of the banking industry
- Most important regulations for the financial services industry
- Financial statements of commercial banks
- How to evaluate bank performance (continued on next page)
- Asset Liability Management
- Use of financial markets to control risk
- Gap Analysis
- Duration Analysis
- Credit Evaluation/Lending Process
- Importance of capital adequacy
- Bank Portfolio Management
- Components of an economic forecast
- International banks vs foreign banks operating domestically

COURSE PREREQUISITES (Minimum): Finance 300

## COURSE REQUIREMENTS:

### GRADING:

Exam 1 or 2	20%
Exam 3	25%
Quizzes	15%
Simulation	25%
Attendance	10%

### TEACHING METHODOLOGY:

90-100%	A
80-89%	B
70-79%	C
60-69%	D
Below 60%	F

*PLEASE BRING A CALCULATOR TO EVERY CLASS. (You do not need a financial calculator.) It is strongly recommended that you have a backup calculator and keep extra batteries on hand during exams. BUY EXTRA BATTERIES NOW! Target, Ebay, etc. can provide you with a cheap backup calculator*

This is a very RIGOROUS, but entertaining course in the basic principles of finance. It requires taking notes during class lectures and taking notes during the reading assignments.

The sources of learning are fourfold in this class:

- Class Lectures
- Text Reading Assignments
- Practice Problems
- Text Homework Assignments

**Note from Instructor:** I do not lecture from the textbook. I assume, rightly, that my students are literate, intelligent persons who are quite capable of reading the textbook on their own. I generally provide additional material on textbook topics and new material on topics not covered in the textbook.

***THIS IS NOT A PASSIVE CLASS and there are no shortcuts to learning. The successful student must be ACTIVELY involved in his/her assimilation of the material. Successful assimilation of the material means a time commitment outside of class of, at least, 6 hours per week. COPIES OF LECTURE NOTES ARE NOT ONLINE OR AVAILABLE TO STUDENTS. Material will be presented in lectures may not be available in the textbook.***

**HOMEWORK:** Students are encouraged to work out the problems at the end of the chapters in the text, as indicated in this syllabus. From time to time, the instructor will provide additional problem sets for practice. Homework is not collected, but is "fair game" for exams. Due to time constraints, homework problems will not be worked out during class. The solutions to the homework problems will be posted on Blackboard. The Instructor is available during office hours and by email. Please use email as a last resort. If you email a question that requires lengthy reply, please email your phone number and a time to call. The Instructor will try to call as soon as possible. There is no University provided tutoring provided for the advanced classes.

Problem Sets created by the Instructor will be made available on Blackboard. Answers are provided, but not solutions.

**THINGS THAT DO NOT EXIST IN MY VOCABULARY:** Curve, multiple choice and "I forgot to check my email."

**EXAMS:** Three examinations will be given during this class. The lowest grade of the first two exams will be dropped. Thus the higher of Exam I and Exam II will count toward the exam portion of the final grade in the class. Students may miss one exam due to personal emergencies, weather conditions, job demands, job interviews etc. ***Everyone must take Exam III, with the exception of the winners of the simulation. The final for them will be optional. Because of the availability of the drop exam, make up exams will not be given.*** Students are allowed an 8  $\frac{1}{2}$  x 11 inch sheet of paper (front and back) as a formula sheet for each exam. The exams will consist of both short essay questions as well as quantitative material. Make sure you bring a calculator to class for each exam. The exams will be drawn from any material presented in class by the instructor or a student, as well as reading assignments.

**QUIZZES:** 3 quizzes will be given. These will be very short, one or two problems, multiple choice/true or false or fill-in, given at the end of class and without the use of a note sheet. The lowest quiz grade will be dropped so no make up quizzes will be given. Dates for the quizzes are at the end of this syllabus.

**IMPORTANT:** There is no such thing as "extra" extra credit points. AT the end of the term, students "at risk" often ask for extra work so they can pass the class, graduate, etc. I CANNOT DO THIS!! Anything I offer one student, I must offer to all students. If you find yourself in danger of not passing the class, you will know by the first or second exam. Come and see me...I can help you; but if you wait until the end of the term, there is nothing I can do for you except give you the grade you have earned. I am fully aware of the difficult situations financially, family, etc. that you may find yourselves facing, but these days, all of us are facing or dealing with problems that impact your performance as students

and my performance as a teacher. My mantra and I recommend it, is "DO YOUR BEST" and ask for help before it is too late.



### **STANFORD BANK MANAGEMENT SIMULATION:**

This computer simulation gives students the opportunity to make realistic decisions in various areas of bank management and see how those decisions affect bank operations and stock prices from quarter to quarter. The Student Manual for the simulation with detailed instructions will be made available on Blackboard. Start reading it when the professor announces BB access, so that, once the simulation is initiated, students will already be familiar with it.

#### **Simulation Specifics:**

- Students will be put into groups of no more than 6 to form a bank.
- The first meeting will be to determine a name, discuss the design of a logo and appoint officers. All bank names must be approved by professor. BE ORIGINAL!! USE YOUR MARKETING SKILLS.
- Each bank starts out with the same information and the same financial position.
- Within each group, students will determine the organization of their particular bank and elect a President of the bank.
- Decisions will be (in the bank game) on a quarterly basis, but in real time, decisions will be due about every other week.
- Each bank is expected to develop a business plan/strategy and decisions should support the strategies.
- Each Department Head/Manager and the President is expected to do an analysis of the previous quarter's performance, economic forecast for the new quarter and strategies for the upcoming quarter. These analyses will be included in the written paper.

There is a \$40 (will check on this price) fee for use of the copyright for the game per student. *It is the Bank President's responsibility to collect the \$40 fee by September 25, 2012 from each team member, buy a money order and make it out to Human Resources West. (The team should split the cost of the money order. Separate money orders will not be accepted.)*

We will only get to play 5 quarters of the game, equivalent to one year in the life of a bank:

**Due Dates for Decisions:** See important dates section of this syllabus.

***WINNING BANK (HIGHEST BANK STOCK PRICE) HAS OPTION OF NOT TAKING EXAM III, CONTINGENT UPON TURNING IN A SATISFACTORY ANNUAL REPORT. THEY WILL ALSO HAVE THE OPPORTUNITY TO HAVE LUNCH WITH THE DEPARTMENT CHAIR AND/OR DEAN OF COLLEGE OF BUSINESS. THIS WILL BE A GREAT CHANCE TO NETWORK AND GIVE YOUR RESUMES TO THE SOME IMPORTANT PEOPLE IN THE COLLEGE. PHOTOS OF THE WINNERS WILL ALSO BE POSTED ON THE FINANCE DEPARTMENT BULLETIN BOARD AND/OR FINANCE WEBSITE.***

*Second and Third place banks will also receive recognition. The remaining members of the class will receive a certificate of participation.*

The Annual Reports will be reviewed by professional bankers and their comments on your logic and how seriously the assignment was taken may impact your grade.

**ANNUAL REPORT:** Due date November 29, 2012

Should include AT LEAST:

- Introduction that includes organization of the bank, bank officers, qualifications for the position.
- Business plan/long term goals/strategies.
- Analyses mentioned above.
- Final analysis of overall bank performance; mistakes made and how performance could have been improved.
- Formal paper that includes table of contents, single-spaced, 1 inch margins, no larger than size 12 print, conclusions, bibliography/footnotes if necessary.
- Use ratios and data provided to bank members each time simulation is run to explain your strategy.
- NOTE: TAKE A LOOK AT ACTUAL BANK ANNUAL REPORTS TO GIVE YOU ANY IDEAS. APPEARANCES AND ORIGINALITY ARE IMPORTANT.

**SIMULATION PRESENTATIONS: December 6, 2012 - ALL TEAM MEMBERS MUST BE PRESENT AND IN BUSINESS DRESS; MISSING CLASS ON THIS FINAL DAY WILL COUNT AS THREE ABSENCES!!** Photos will be taken of the banking teams.



#### **GENERAL INFORMATION:**

**ATTENDANCE:** Attendance will be taken at each class starting with the third week.. A numerical grade will be determined by the dividing the number of classes attended by the number of actual class sessions where attendance was taken.

**Special Note to Students in Athletics:** Be sure to show me your game schedule. I will do my best to reschedule quizzes for the class around game schedule.

**Special Note to Students about Religious Holidays:** I will definitely need to know ASAP about these days. Please inform me at the beginning of the term so I can make the necessary adjustments in the exam schedule.

Each student is allowed one excused absence from class. **THE EXCUSED ABSENCE MAY NOT BE TAKEN DURING THE LAST TWO WEEKS OF THE TERM OR ON AN EXAM DAY.**



**SEAT ASSIGNMENTS:** Students will be allowed to choose their permanent seats on Tuesday of the third week of class. Attendance will be taken via a seating chart at the beginning of class. If you come in late, it is your responsibility to notify the instructor at the end of class. To get "credit" for the day assigned, students must attend at least half the class...thus arrival in the last 5 minutes of class will still count as an absence.

**TARDINESS:** Consistent tardiness will not be tolerated. Students are expected to arrive for class **ON TIME!!** If there are extenuating circumstances, please talk to the instructor, otherwise tardiness could impact your grade. If you are late for a class, wait by the door and the instructor will break for a moment to let you take your seat. **NEVER WALK IN FRONT OF THE INSTRUCTOR OR IN FRONT OF THE PROJECTOR IF YOU ARE LATE.** Attendance is usually taken at the beginning of class so if you are tardy, it is your responsibility to check in with the instructor.

***STRONGLY ENCOURAGED:*** The student should do a time budget in much the same way a money budget would be done: hours available during the week are 168 (24 x 7). Start subtracting sleeping, eating, hygiene, transportation time, class time and work time and you will be surprised at how little time is left. Time is your most valuable asset. Unlike money, it cannot be replaced. **THIS COURSE WILL REQUIRE A LOT OF TIME!**

**EMAIL:**

EMAIL HOURS: Mon-Thursday (until 8p.m).

Saturday: 1-5 p.m.

Sun/Holidays: None

Much of the communication between the Instructor and the class will take place via email. **CHECK YOUR EMAIL DAILY!!** Check the announcement section of the Blackboard site for the class. "I forgot to check my email" is not a valid excuse. If you do not have home access to email, arrange with another student in the class for information exchange by phone. **PLEASE DO NOT USE EMAIL AS A SUBSTITUTE FOR SEEING ME DURING MY OFFICE HOURS. ASSISTANCE BY PHONE FROM MY HOME IS A COURTESY, GIVEN MY AVAILABILITY, NOT A RIGHT.**

## ACADEMIC ACCOMMODATIONS:

If you believe you have a disability that will inhibit your performance in this class, please notify the professor no later than the first week of class or notify the Office of Disability Services in the SSB. We will work to see that reasonable accommodations are secured.



## CLASS POLICIES:

1. The lectures may not be taped or distributed without the express permission of the instructor. All class material is copyrighted by the instructor.
2. Be on time....lectures will start promptly at the beginning of class. This is the kind of course where missing the first few minutes can make it very difficult to follow the rest of the lecture. If you are repeatedly tardy and your late arrival disrupts the class or disturbs other students, you could be removed from the class. If there is a valid reason for consistent tardiness, please consult with the instructor.
3. In particular, be on time for exams. Extra time will not be granted for tardiness. The exams will usually take the entire period.
4. You may bring soft drinks and reasonable food items to class. Please remove all trash after class ends.
5. If you need help, you are always welcome to see the professor or teaching assistant(s) for clarification of the lecture material, homework, or practice problems. The course is difficult, but enjoyable.
6. Attendance is very important as the lectures include material not found in the text. You are responsible for securing any handouts, notes, etc. in the event of an absence. *It is strongly suggested that you get the telephone numbers/email addresses of several class members in the event of absence. Do not ask the instructor for copies of class notes.*
7. Conversation during the lectures will not be tolerated. You will be asked to leave the room or could be dropped from class.
8. Incompletes are granted only in the most extenuating circumstances, so please pay attention to the University drop dates. An incomplete grade does not erase work already completed; it only allows you extra time to complete the course when extenuating circumstances prevent you from doing so with the rest of the class. Once granted an incomplete, the course must be completed with the Instructor, not with another instructor teaching a similar class.

9. Turn off the buzzers/ringers/alarms of your cell phones/pagers, etc. while you are in class. If they disturb the class, you will be asked to leave.
10. The class schedule/content cannot be adjusted to accommodate individual work schedules.



### Reading and Homework Assignments

WEEK	TOPIC	CHAPTER	HOMEWORK
1	Introduction to Course/History of Banking	1	Read chapters 1 on your own
2	Capital Budgeting/Review of Time Value of Money		
2	New Banks, Branches	4	1,3,4,5, Practice Set 1
3	Financial Statements	5	3, 5, 9, 11
	UBPR		Practice Set 1**
4	Performance Ratios	6	3, 4, 5, 7, 11, 12
	Intro to Simulation		Practice Set 2
5	Organization, Structure of Banks	3	2, 3, 4
6	Asset Liability Management	7	3-9, 11, 12, 17
7	Asset Liability Management	7	Practice Set 3
8	Financial Futures	8	1, 4, 5, 8, 9; Practice Set
	Risk Management	9	Read on your own
9	Investment Management	10	5, 6-10
10	Liquidity Management	11	1-4
11	Pricing Deposit Services	12	2-5, 6
	Non-Deposit Liabilities	13	1,3,5,7
12	Lending Policies	16	Read on your own
	Pricing Business Loans	17	1-3,6
13	Consumer Lending/Thanksgiving	18	1-3, 7
14	Capital Mgt;	15	1-5
15	Exam III; Simulation Presentations		

\* Be sure to write out the laws/regulations in by year issued and a few notes on what the regulation/law was intended to do. Did it work?

\*\* There are likely to be other practice sets; I'm in the process of rethinking them and recreating them.





**EXAM SCHEDULE AND OTHER IMPORTANT DATES:**

**NOTE: EXAM DATES OR ANY OTHER DATES IN THIS SYLLABUS ARE NOT LIKELY TO BE CHANGED, BUT THE POSSIBILITY DOES EXIST DUE TO UNFORESEEN CIRCUMSTANCES. PLEASE KEEP THIS MIND WHEN BOOKING PLANE TICKETS, PLANNING WEDDINGS, ETC.**

**The instructor reserves the right to change the syllabus as necessary due to unforeseen circumstances.**

EXAM I: OCTOBER 9, 2012  
EXAM II: NOVEMBER 8, 2012  
EXAM III: DECEMBER 4, 2012

QUIZ 1: September 11, 2012  
QUIZ 2: October 30, 2012  
QUIZ 3: November 20, 2012

STANFORD BANK DECISIONS:	QUARTER 1: October 2, 2012
	QUARTER 2: October 19, 2012
	QUARTER 3: November 1, 2012
	QUARTER 4: November 15, 2012

**Payment for simulation is due: September 28, 2012**

**Annual Report Due: November 29, 2012**

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