

BUS315: INTRODUCTION TO FINANCIAL MANAGEMENT

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TTh by e-mail

W by appointment

F afternoon by appointment

TIME	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
8:00					
9:00		OFF CAMPUS, BUT AVAILABLE BY E-MAIL		OFF CAMPUS, BUT AVAILABLE BY E-MAIL	
10:00	BUS315 MC107		BUS315 MC107		BUS315 MC107
11:00	BUS431 MC107		BUS431 MC107		BUS431 MC107
12:00	OFFICE HOURS	ALL DAY	MEETING or OFC. HRS.	ALL DAY	OFFICE HOURS
1:00	BUS434 MC107		BUS434 MC107		BUS434 MC107
2:00	MAY BE AVAILABLE BY APPOINTMENT				AVAILABLE BY APPOINTMENT
3:00					
4:00					
5:00					

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COURSE OUTLINE

This course is designed to introduce you to the fundamental issues of financial management and to the quantitative techniques used to address them. We will consider questions of concern for both corporate financial managers and investments managers. When you have successfully completed this course, you will be able to:

- describe and evaluate the basic features of financial markets
- identify the basic components of nominal interest rates and use them to make expected return comparisons among assets
- apply time value of money concepts to complex cash flow scenarios
- price bonds and other fixed-income financial assets
- understand the basics of the term structure of interest rates and the yield curve
- determine the fundamental price for common stock, using the constant-growth dividend discount model
- use the Capital Asset Pricing Model to quantify the risk-return tradeoff
- determine a firm's weighted average cost of capital
- evaluate alternative techniques for analyzing project opportunities and budgeting capital
- apply the net present value criterion to complex capital budgeting problems

Understanding and applying financial concepts requires facility with algebra. We will take many opportunities throughout the course to address basic mathematical concepts and computational techniques. Please be sure that you keep me apprised of any mathematical material you would like to review.

We will be drawing heavily on the accounting vocabulary and concepts you learned in BUS205. You are expected to have a thorough grasp of this material before beginning your study of finance.

You may not enroll for BUS315 until you have received at least a C- in BUS205.

REQUIRED MATERIALS

1. TEXT Ross, Westerfield, and Jordan, *Fundamentals of Corporate Finance*, Irwin.

You will be using your textbook as a reference; you do not need to bring it to class. We will not be doing homework assignments from the book, so you do not need the most recent version. (This means that you can get a copy of an earlier edition on-line for little money.) You do need a book, because even though we will be using primers as our main resource (see #2, below), you may need to have the information presented in a slightly different way. The primers follow along with lecture, but if you don't understand me, you might not understand my notes, either. Hence the book matters. I do highly recommend these authors—they have written by FAR the best introductory corporate book I have ever seen.

For the first few topics, you will need to rely primarily on the primers, since the book does not address the material in the same way. (For example, to find information on the stock market, you may need to refer to the stock *pricing* chapter. If you need help finding the relevant sections of your book, please see me.) However, once we start the time value topic, it should be very easy to identify the relevant chapters of your book (they will have nearly the same titles as our primers).

2. SET OF PRIMERS

For each topic, you will receive, via e-mail, a “primer.” This is a set of notes that I have written to accompany the topic. It usually includes example homework problems, with answers.

These primers will be our main reference for the course. (You really shouldn't print them out, though—some are very long!) You may either read them before we start a topic (which will put you ahead of the game, but may mean that you see things you don't understand, which can frustrate some people), or you may choose to read the associated sections after each day's lecture. Do whatever works for you. Just be sure to read them!

Use the primers to help you with your homework! Use the primers to help you navigate our course topics! Use the primers as your main textbook for the course!

The primers can't help you if you don't read them. I expect you to read the primers—that's why I wrote them. If you have questions about the material in the primers, please ask.

Having trouble keeping up with your primers? Think we have a lot of course materials?

GET A BINDER.

3. WALL STREET JOURNAL

A subscription to the *Wall Street Journal* is highly recommended. This is the real-world's finance textbook. Business people in the real world really read this every day. You are expected to know what it says. For us, this is our most current source of information on new financial assets and market behavior. You may see quiz and test questions that draw on relevant material from the *WSJ*. You can also earn extra credit for bringing relevant stories to the class's attention (more on this below).

You have access to almost real-time articles from the *WSJ* through the UPS research gateway (access this through the main library site).

REQUIRED MATERIALS, continued

4. CALCULATOR

You need a calculator that can handle exponents (i.e., that has a “y^x”-type key). If you think you may wish to take more finance courses, get a financial calculator. (Get one of the two that are allowed for the CFA exam—you can find these online.) You do not need a financial calculator for this course.

COURSE REQUIREMENTS**EXAMS:**

There will be three one-hour exams during the semester and a comprehensive final. No notes or books will be allowed. No make-up exams will be given without a written excuse (such as a doctor's note) for the original absence. You must inform me ON OR BEFORE the exam date that you will need a make-up. All make-ups must be completed within one week of the original exam date. The same material will be covered on a make-up, but the format may be different.

HOMEWORK: There will be homework assignments required throughout the course. Homework will be e-mailed or handed out in class. You are responsible for knowing that homework is due. I am not responsible for reminding you about homework, especially if you were absent on the day it was assigned.

Different homework assignments will have different preparation times and point totals. Some will be due the class period following their distribution, and some will be due later. The exact number of assignments will vary according to my interpretation of your degree of comfort with the material. Some of these homework assignments will be old test questions, so that you can get an idea of what the tests are like.

Homework is due at the beginning of class on the due date. **NO LATE HOMEWORK ASSIGNMENTS WILL BE ACCEPTED.** I will be handing out or e-mailing homework answers on the same day that the assignments are due, and I obviously cannot accept homework handed in after answers have been given out.

You will be allowed to drop one homework score. The homework assignments will have different point totals. Your homework grade will be determined by forming the following ratio: (points earned on kept assignments)/(total points available on kept assignments). (Any extra credit points earned are simply added into the NUMERATOR only.) For example, say you had the following homework scores:

ASSIGNMENT	TOTAL POINTS	YOUR POINTS
1	100	93
2	55	50
3	200	150

Say you chose to drop HW#1. Then, the total points available on the assignments you kept (#2 and #3) would be 255, out of which you earned 200. Your ratio would therefore be $200/255 = .7843$. I would therefore use a grade of 78 for your homework grade. If, on the other hand, you dropped HW#3, your score would be $(93+50)/(100+55) = .9226$, or 92. You are responsible for determining which homework assignment to drop. You'll tell me by writing your choice on your final exam. If you do not tell me, I will arbitrarily drop HW#1.

You may work with others in developing answers to homework problems, but you must write up your assignments yourself. **Any suggestion of scholastic dishonesty will result in a NONDROPPABLE grade of 0 for that assignment for both the author of the original and the copy.**

COURSE REQUIREMENTS, continued

QUIZZES: **We will have quizzes on most Fridays.** You will be told in advance when a regular quiz will be given.

I also reserve the right to give any number of **unannounced** “pop” quizzes during the semester. These quizzes may count as extra credit, or they may count as homework. The number of pop quizzes will be negatively related to the class’s level of preparation and participation.

COURSE REQUIREMENTS, continued

PARTICIPATION: Your active participation in class is necessary, both for you and for your classmates. Your participation score will reflect my assessment of your *attendance*, your *contributions to class discussions*, and your *overall positive demeanor during class*.

EXTRA CREDIT: There will be numerous opportunities for in-class extra credit throughout the semester. Some of these opportunities will involve in-class group work; others will be rewards for what I subjectively deem superior individual contributions to classroom discussion. You also may receive up to 20 free-floating homework points for presenting **RELEVANT** articles from the *Wall Street Journal* or other financial news sources. Each BRIEF (3- to 5-minute) presentation will earn up to 5 points.

ADDITIONAL ISSUES

COMMUNICATION: I will be e-mailing you frequently. Your homework and primers will be e-mailed. I will be sending you information about the next day’s class; I will be sending you articles; I will be asking you questions. **PLEASE CHECK YOUR E-MAIL EVERY DAY.**

COMPUTERS IN THE CLASSROOM: ...are not allowed. No electronic devices that allow your access to the internet are allowed in the classroom.

GRADING: Course grades will be determined as follows:

SEMESTER EXAMS (3)	15% each
FINAL EXAM	17.5%
HOMEWORK	15%
HW QUIZZES	12.5%
PARTICIPATION	10%

A note about grading:

You will be graded relative to your peers, not relative to an arbitrary, pre-specified number of points. *This is designed to help you.* Requiring you to earn a pre-specified number of points to earn a specific grade means that *you* bear the risk of confusing test questions (what if I were to write a question that no one understood, and that everyone therefore missed?), predetermined homework points (what if we need another assignment to help clarify a topic?), and any other issues that might arise throughout the course of the semester. As we will do with our class schedule, we will keep our point total fluid so that it will meet your actual needs—not what I predict, months in advance, your needs to be. (Note that this is comparable to the way the CFA handles its grading.)

Because we are eschewing rigidity in our grading system, we are limiting our ability to predict grades based on intra-semester point totals. If this lack of clarity disturbs you, this is probably not the section of BUS315 for you.

****TENTATIVE** CLASS SCHEDULE**

PLEASE NOTE THAT THIS SCHEDULE IS TENTATIVE. We will address the topics in the order described below, but our timing may be off a bit, as we adjust the pace of the class to your needs. We will not sacrifice thoroughness or clarity simply to remain on this schedule. Please be ready for minor scheduling adjustments that will be announced in class. (Note: We will NOT change the exam days, however; if necessary, we will simply adjust an exam's coverage.)

<u>WEEK</u>	<u>TOPIC</u>	<u>PRIMER</u>
1&2	introduction to characteristics of financial markets	assets & markets
LABOR DAY: MONDAY. SEPTEMBER 3		
3	interest rate determinants	determinants of interest rates
4&5	time value of money concepts	time value of money
6	bond pricing	bonds
7&8	fundamental stock pricing: constant growth	constant growth stock pricing

FALL BREAK: OCTOBER 15-16

9	finish stock pricing	
10-12	weighted average cost of capital	WACC
13-14	capital budgeting	capital budgeting

THANKSGIVING BREAK: NOVEMBER 21-23

15	catch-up and review
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EXAM SCHEDULE:

(the last Fridays of the month)

EXAM #1: FRIDAY, 9/28
EXAM #2: FRIDAY, 10/26
EXAM #3: FRIDAY, 11/30

FINAL: MONDAY, 12/10, 8-10 a.m.