

FIN 350

Business Finance

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Office Hours: Monday, 2pm-3:30pm and by appointment

This course is an introduction to capital markets and the financial management of a corporation. The aim is to provide a basic understanding of the important financial assets available in the capital markets as well a basic knowledge of corporate financial management problems.

The primary goal of this course is to impart the knowledge to allow you to intelligently solve practical business problems. To achieve this goal, it is crucial that you have a sound understanding of finance theory. As such, the course will be theoretical in nature, often requiring rigorous quantitative analysis.

Required Texts: *Fundamentals of Corporate Finance* by Ross, Westerfield and Jordan, 4th Ed

Optional Texts: *Student Problem Manual that accompanies the above text.*

Optional Reading: *The Economist, New York Times, Wall Street Journal, Financial Times*

Reading: You should always reinforce the lectures by doing the assigned readings. You will notice that some topics that I consider to be very important will be covered in great detail (e.g., NPV). In this case the readings simply reinforce the lectures. Time does not allow us to cover most topics in this way. Thus, the readings necessarily also cover material that time does not permit us to cover during lectures. You are responsible for all the material covered in the assigned readings, regardless of whether I have time to cover it in class. Every student is also expected to keep abreast of current innovations in the business world. One way to do this is by reading, on a regular basis, one of the optional publications suggested above.

Class Homepage: You will find additional material that should be useful on my homepage. For example, I have answers to a few frequently asked questions (FAQs) that take the form of interactive movies. The solutions to all the Quizzes will be posted as well as the Quizzes themselves. A complete copy of the lecture notes is available. Updates are posted as soon as I have finished writing them up (usually the day of the lecture). All material that is handed out during the lecture will also be available on this homepage.

Quizzes: Most weeks there will be a short quiz that consists of one problem taken from the material covered since the last quiz. At the end of the semester your overall quiz grade will be your average quiz grade *with the lowest grade, of the first four quizzes, dropped*. That is, the last quiz grade cannot be dropped and you must take the last quiz to pass the course. Missing a quiz will be treated like missing an exam --- you will be assigned a grade of zero. The Quizzes will be held during class on the following days: **April 15,22,29, May 6 and June 3**. The quiz will provide you with

feedback about your understanding of the previous week's material. You should use them as an early signal of how well you are keeping up with the course.

Exams: There will be a midterm exam. It will be held on **May 13** and **it will be reviewed in the following lecture**. As a special incentive, any student you gets 100% on all four quizzes preceding the midterm will be excused from taking the midterm and will be given a grade of 100% on the midterm as well. Such a student is still required to take the last quiz.

Term Project: Instead of a final exam, you will be required to hand in a term project. This group project is supposed to bring together the ideas in the course in the context of a topical case. The case itself is difficult, and I would expect that completing the project will require at least as much effort as studying for a final exam would have taken. Half of the grade of the project will be based on an oral presentation, and half on a written report. You must complete the project in order to achieve a passing grade in the course. Some of the material in Chapter 11 of RWJ might be useful for this project.

Homework: To help prepare for the weekly Quizzes and the midterm exam, I will hand out optional homework problems. Solutions to these problems will be available on my home page. The only way to learn the material in this class is to work a large number of problems. Additional problems can be found at the end of every chapter of the required text, as well in the optional problem manual. If you are at all concerned about this class, **I strongly advise purchasing the problem manual**.

Grades: Your final grade will be determined by your performance on the Quizzes, final exams and term project. The actual percentages are:

Quizzes	35%
Midterm Exam	40%
Term Project	25%

Optional Final Exam: You still have the option of taking a final exam, if you wish. In that case, *you must still satisfy all of the above requirements*, and take the final exam in addition. In this case the exam would count 20% and the midterm would count only 20%. **If you do want to exercise this option you must let me know on or before April 8 by sending me an email message.** Unless I receive such a message by that date, I will assume you have chosen not to take this option.

Course Syllabus

Note: All readings refer to *Fundamentals of Corporate Finance*.

Monday, March 30

- (i) Lecture:
Introduction

Wednesday, April 1

- (i) Lecture:
History of Risk Management and the Birth of Modern Finance
- (ii) Reading:
Chapter 1

Wednesday, April 8

- (i) Lecture:
Financial Markets and the Firm
- (ii) Reading:
Chapter 5: Sec. 5.1-5.2

Monday, April 13

- (i) Lecture:
Net Present Value
- (ii) Reading:
Chapter 5

Wednesday, April 15

- (i) Lecture:
Bond Valuation
- (ii) Reading:
Chapter 6
- (iii) *Quiz 1.*

Monday, April 20

- (i) Lecture:
Bond Valuation Continued
Stock Valuation
- (ii) Reading:
Chapter 7

Wednesday, April 22

- (i) Lecture:
Stock Valuation Continued
- (ii) Reading:
Chapter 8
- (iii) *Quiz 2.*

Monday, April 27

- (i) Lecture:
Investment Rules
- (ii) Reading:
Chapter 9: Secs:9.1, 9.5
- (iii) *Term Project Group Lists due.*

Wednesday, April 29

- (i) Lecture:
Investment Rules Continued
- (ii) Reading:
Chapter 9
- (iii) *Quiz 3.*

Monday, May 4

- (i) Lecture:
 - Return in the Capital Market
 - Diversification
- (ii) Reading:
 - Chapter 12
 - Chapter 13, Secs:13.1-13.2

Wednesday, May 6

- (i) Lecture:
 - Diversification Continued
- (ii) Reading:
 - Chapter 13: Sec 13.3-13.5
- (iii) *Quiz 4.*

Monday, May 11

- (i) Lecture:
 - Capital Asset Pricing Model
- (ii) Reading:
 - Chapter 13

Wednesday, May 13

Midterm Exam

Monday, May 18

- (i) Lecture:
 - Midterm Exam Review
 - Cost of Capital
- (ii) Reading:
 - Chapter 14

Wednesday, May 20

- (i) Lecture:
 - Cost of Capital Continued
 - Capital Structure
- (ii) Reading:
 - Chapter 16: Secs: 16.1-16.3

Wednesday, May 27

- (i) Lecture:
 - Capital Structure
 - Review
- (ii) Reading:
 - Chapter 16
- (iii) *Quiz 5.*

Monday, June 1

- (i) Lecture:
Project Analysis Simulation Presentations
- (ii) Reading:
Chapter 11
- (iii) *Term project written reports due*

Wednesday, June 3

- (i) Lecture:
Project Analysis Simulation Presentations
Cost of Capital Continued
- (ii) Reading:
Chapter 14