

Course	FIN 6100
Semester	Fall 2009
Instructor:	Dr. Joe Smolira
Credit:	2 hours
Location:	MC 109
Meeting Time:	6:15 – 9:00 p.m. Wednesday
Office:	Massey Center Room 437
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Home page	http://coba.belmont.edu/fac/smoliraj
Office hours:	T-R: 2:00 – 4:30 Wed: 3:00 – 6:15 and by appointment

These are my official office hours, but my door is generally open, even when I am in my office on weekends. I am always willing to help on course-related matters, and finance in general. If you have questions that didn't get answered in class, please stop by my office. You are also welcome to give me a call or email me.

"FINANCE. Eat your spinach. Finance is at the core of so many successful companies that no CEO aspirant can afford to avoid schooling in it, even if it means mastering some math you haven't encountered since high school. This will help you understand, among other things, how your company raises and allocates capital. It will also make clear why that new product your team has designed might not be launched, despite its sensational showing in test markets: The numbers indicate that most likely the returns on the item will never clear the hurdle rate that will cover the cost of capital it requires and deliver a profit as well. "

Really Important Things You Need to Know, **Fortune**, Jan. 15, 1996, 36-37.

Course Overview:

The primary goal of the course is to help you understand how the application of financial principals can help company management increase the value of a company. The topics we discuss will help you understand the "why" of how financial decisions are made, in addition to the "how" of how these decisions are made. The secondary goal of this course is to help you understand how decisions made by corporations impact your future financial health. Even though many of you are not close to retiring (some, like me, closer than others), you are probably faced with how to save for your retirement. This course will give you a foundation for understanding this and other important financial decisions.

Course description:

This course contains the basic financial concepts, tools, and techniques used by financial managers. The topics covered include cash flow analysis, stock and bond valuation, capital budgeting, risk and return, the cost of capital, long-term financial planning, and strategic financial decisions.

Course objectives:

1. Analyze business economic activity through ratio analysis.
2. Differentiate between net income and cash flow analysis.
3. Apply time value of money concepts to cash flows.
4. Calculate stock and bond prices.
5. Recognize the relation between risk and return as it relates to asset valuation.
6. Analyze capital budgeting projects.

Objectives of the Massey Graduate School of Business Administration:

- To provide a personalized career-oriented and practical educational program in Business Administration which emphasizes the four themes of: leadership, innovation, private enterprise and entrepreneurship.
- To equip students with the ability to: 1) communicate effectively, 2) think critically, and 3) make enlightened judgements about their environment.
- To emphasize quality classroom instruction within the parameters of Christian principles.

Text and supplementary materials:

- *Corporate Finance: Core Principles and Applications*, 2nd edition, Ross, Stephen A., Randolph W, Westerfield, Jeffrey F. Jaffe, and Bradford D. Jordan, McGraw-Hill Irwin, 2009.
- A financial calculator with the functions of: present value, internal rate of return and irregular cash flows (such as the TI BA II plus, which will be used for class examples) is also needed. Spreadsheet macros on a PC have the same capabilities as a financial calculator and may be used.
- You will also need to obtain a Homework Manager account. An access code should be packaged with new textbooks, or you can purchase an access code online at the textbook website. The class home page for Homework Manager is: <http://mh3.brownstone.net/classes/FINMAN-JS/>. Homework Manager will allow you to rework problems to master the important financial concepts we will discuss.
- Class outlines which are available on my webpage.

Keys to Success in FIN 6100

Always feel free to ask me any question on any work. Stop by my office sometime.

Learning in this course is derived primarily from class discussion, computer quizzes, and examinations. Students will benefit most from class if they have read the assigned material before class.

The way to be successful in this class is to *work problems and ask questions*. Watching me or others work problems is not the same as working them yourself. After you see me or someone else work a problem, work another similar problem by yourself. Also, when you are working problems, work the problem without the Solutions Manual. It is easy to convince yourself “That’s what I would have done” when you are looking at the solution. When working a problem, ask yourself “why” you did it this way, not just “how”. To be successful, this class does require a significant commitment outside of class time. Six to eight hours a week outside of class would not be unusual.

You may want to consider forming a study group early in the semester (Don’t wait until right before the first exam). Study groups allow you to learn from your peers. It will also allow you to explain important topics to your peers, which will help you understand the topic better yourself.

Always feel free to ask me any question on any work. Stop by my office sometime. It really is a nice office!

Course Policies and Procedures:

Homework Manager

Each student will be responsible for obtaining a Homework Manager account. Homework Manager is a self-administered testing site. You will take a quiz on each chapter covered in the course. You can take up to three graded quizzes on each chapter. You must earn a 70% on one of the three quizzes from each chapter to receive credit for that chapter. If you earn 70% or higher on the first quiz, you are not required to take anymore quizzes, although you may at your discretion. Only the highest quiz score greater than 70% from each chapter will be counted. If you do not earn 70% or above on a particular chapter, no credit will be given for that chapter, i.e. your score will be a zero.

The quizzes are open note, open book, but you are not to solicit or receive help from anyone else (other than me). The highest score (above 70%) will be your quiz score for that chapter. The quizzes count a total of 30 points in the class. Your quiz grade will be the average of your highest quiz score for each chapter (above 70%) times 100. For example, if you average a 90% on all quizzes, you will receive 27 points ($.90 \times 30 = 27$). If you do not take a quiz on any chapter, or earn less than a 70% on all three attempts, your score for that quiz is a zero. The quizzes for each chapter will be available at 6:00 PM on the date the chapter is first discussed (listed on the syllabus). You will not be able to take a quiz after the due date listed. If for any reason a chapter is not covered in class, the quiz for that chapter will not be required.

The Homework Manager assignments due dates are shown on the last page of the syllabus. Note that each assignment will go offline at 6PM on the date it is assigned. Each chapter also has a practice quiz. *Your scores on practice quizzes will not count toward your grade.*

Makeup policy

Unless agreed upon in writing in advance by the instructor make up tests will not be allowed and a zero will be given for the missed work.

Other policies

Each student is responsible for adhering to all Jack C. Massey Graduate School of Business academic policies as described in *The Belmont University Graduate Bulletin, 2009-2010* and any subsequent modifications, extensions or interpretations. Any student guilty of an infraction of the academic dishonesty policy will be given a grade of "FX".

Honor Code: The Belmont community values personal integrity and academic honesty as the foundation of university life and the cornerstone of a premiere educational experience. Our community believes trust among its members is essential for both scholarship and effective interactions and operations of the University. As members of the Belmont community, students,

Faculty, staff, and administrators are all responsible for ensuring that their experiences will be free of behaviors, which compromise this value. In order to uphold academic integrity, the University has adopted an Honor System. Students and faculty will work together to establish the optimal conditions for honorable academic work. Following is the Student Honor Pledge that guides academic behavior:

"I will not give or receive aid during examinations; I will not give or receive false or impermissible aid in course work, in the preparation of reports, or in any other type of work that is to be used by the instructor as the basis of my grade; I will not engage in any form of academic fraud. Furthermore, I will uphold my responsibility to see to it that others abide by the spirit and letter of this Honor Pledge."

Grading scale

2 Exams @ 100 points each	200
Homework Manager quizzes	<u>100</u>
	300

A	279-300	C	219-230
A-	270-278	C-	210-218
B+	261-269	F	<210
B	249-260		
B-	240-248		
C+	231-239		

Accommodation of Disabilities: In compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act, Belmont University will provide reasonable accommodation of all medically documented disabilities. If you have a disability and would like the university to provide reasonable accommodations of the disability during this course the Office of the Dean of Students (460-6407) as soon as possible.

Tentative Class Schedule:

<u>Date</u>	<u>Chapter(s)</u>	<u>Quiz Due</u>
Aug 26	1 Introduction to Corporate Finance (Read) 2 Financial Statements and Cash Flow 3 Financial Statements Analysis and Long-Term Planning	
Sept 2	4 Discounted Cash Flow Valuation	Ch 2
9	4 Discounted Cash Flow Valuation 5 Interest Rates and Bond Valuation	Ch 3
16	6 Stock Valuation	Ch 4
23	Mid-term Exam – Chapters 1, 2, 3, 4, 5, 6	Ch 5, 6
30	7 Net Present Value and Other Investment Criteria 8 Making Capital Investment Decisions	
Oct 7	8 Making Capital Investment Decisions 9 Risk Analysis, Real Options, and Capital Budgeting	Ch 7
14	10 Some Lessons From Capital Market History 11 Risk, Return and the Security Market Line	Ch 8, 9
21	11 Risk, Return and the Security Market Line 12 Risk, Cost of Capital, and Capital Budgeting	Ch 10
28	Final Exam – Chapters 7, 8, 9, 10, 11, 12	Ch 11, 12