

FINANCE 3310/12144 BUSINESS FINANCE

Fall 2014

Professor: Dr. Faith Xie
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Office Hours: TH 9:30-10:30am, 1:00 - 2:30pm, and by appointment

Class Hours: TH 10:30 -11:50am (BUSN 309)
Required Text: Fundamentals of Financial Management
Brigham and Houston, Concise 7th edition

Prerequisites: ACCT 2301 with "C" or better and (1) MATH 1320 with "C" or better or (2) MATH 1409 with "C" or better or (3) MATH 1410 with "C" or better or (4) MATH 1508 with "C" or better.

Calculator

You need a *financial* or *business* calculator to get through the course. Many of the exam problems involve complex arithmetic and financial calculations—and a financial calculator is necessary to solve them.

Your calculator should be able to compute the net present value (NPV) and the internal rate of return (IRR). I recommend Texas Instruments BA II Plus. You may use HP-10BII if you prefer. It works fine, too. I will use Texas Instruments BA II Plus in class and explain how to work various problems with it, so you can follow lectures most easily if you use the same one. However, everything in this class can be done with either one.

As you will soon see, the ability to use a financial calculator is critical to success in the class. You are responsible for learning how to operate your financial calculator—and it is crucial that you are familiar with your calculator by the time we begin Chapter 5.

Make sure that you bring your calculator to every class. Students may not share calculators on exams. Please be sure to check your batteries before exams.

Course Description

This course introduces the student to the fundamentals of business finance. The course requires an understanding of mathematics as well as economic concepts and accounting principles. The course is corporate-oriented with emphasis on practical applications and problem solving techniques. The primary objective is to provide the student with the tools to understand and solve the basic financial problems confronting business today. The topics covered include the time value of money, valuation of assets, capital budgeting techniques, capital structure theory, and dividend policy. The application of the topics to international markets will be made whenever possible.

Course Objective

The successful completion of this course should provide the student with the basic skills that should be used in analyzing alternative business investments.

My hope is that by the end of the class you have a basic grasp of finance principles and that you go beyond just memorizing a number of facts and formulas. Doing so will enable you to better understand current events in Finance and will provide a solid framework for any subsequent courses you may take in Finance. Hopefully, by the end of the semester you will want to take additional classes in Finance!

Specific Learning Goals of Business Finance

The successful student of Business Finance should:

- 1) understand and apply basic time value methodology to general valuation and integrated cash flow applications;
- 2) understand and apply the conceptual relationship between the expected return and the relevant risk of individual assets and portfolios of assets;
- 3) understand and apply the traditional evaluation techniques of capital budgeting analysis in business and personal capital investments;
- 4) understand the concept of cost of capital and financial leverage and apply those concepts in the determination of the optimal capital structure; and,
- 5) understand the current financial environment in which business decisions are made.

Comprehensive Learning Goal of Business Finance

The successful student of Business Finance should understand and be able to apply the basic time value methodology to general valuation and other cash flow applications and to employ the traditional evaluation techniques of capital budgeting analysis in business and personal capital investment decisions.

Class procedures

1. The structure of this class makes your individual study and preparation outside class extremely important. The lecture material will focus on the major points introduced in the text. Reading the assigned chapters and having some familiarity with them before class will **greatly** assist your understanding of the lecture. After the lecture, you should study your notes and work relevant problems from the end of the chapter.
2. Throughout the semester we will also have a number of review sessions prior to each of the examinations. These review sessions will take place during the regularly scheduled class periods. You will find that the review sessions are much more helpful if you keep up with the assigned reading, and make an effort to work the relevant problems.
3. Ask questions! You may think that your questions are “too dumb to ask,” but they aren’t! Finance covers some tough material, and most students have trouble with at least some of it.

Withdrawal Policy

A student may officially withdraw from this class with an automatic W at any time BEFORE Oct.31th, 2014. No withdrawals will be allowed after this date. THIS IS UNIVERSITY POLICY. Automatic withdrawals will NOT be made by the instructor. To be withdrawn from the class, students must take the appropriate actions on or before the university deadline.

Scholastic Integrity

The University of Texas at El Paso prides itself on its standards of academic excellence. In all matters of intellectual pursuit, UTEP faculty and students must strive to achieve excellence based on the quality of work produced by the individual. In the classroom and in all other academic activities, students are expected to uphold the highest standards of academic integrity. Any form of scholastic dishonesty is an affront to the pursuit of knowledge and jeopardizes the quality of the

degree awarded to all graduates of UTEP. It is imperative, therefore, that the members of this academic community understand the regulations pertaining to academic integrity and that all faculty insist on adherence to these standards. Any student who commits an act of scholastic dishonesty is subject to discipline. Scholastic dishonesty includes, but is not limited to, cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts. Proven violations of the detailed regulations, as printed in the Handbook of Operating Procedures (HOP), and available in the Office of the Dean of Students, and the homepage of The Dean of Students (DOS) at www.utep.edu. may result in sanctions ranging from disciplinary probation, to failing grade on the work in question, to a failing grade in the course, to suspension or dismissal, among others.

Grade Components

Exam 1	22.5%
Exam 2	22.5%
Exam 3	22.5%
Exam 4	22.5%
Final Exam (optional)	22.5%
Homework	10%
Total	100%

Attendance: Although there is no attendance point for this class, students are strongly encouraged to attend each class session and participate in class discussions. Students who attend class regularly perform substantially better in the exams than those who do not.

Exams: You have to take at least four out of the five scheduled exams. The exams will be based on assigned readings, lectures, and most importantly, assigned end-of-chapter problems. If you take all five exams, the one with the lowest grade will be dropped from final course grade calculation. If you have to miss one exam on a scheduled date, then you have to make sure that you take the other four exams. **No makeup exam will be allowed under any circumstances.** The final exam will cover chapters 5, 7, 9, 11, and 13.

Homework: At the end of most chapters homework will be assigned. The homework assignments will be collected when due. **Late homework will not be accepted under any circumstances.**

Final Grade

The final grade in this class will be based on the following scale:

To make an "A", you must score at least 90 percent of the point total.

To make a "B", you must score at least 80 percent of the point total.

To make a "C", you must score at least 70 percent of the point total.

To make a "D", you must score at least 60 percent of the point total.

Do not anticipate any further grade adjustments.

Students with Disabilities

If you feel you may have a disability that requires accommodations, contact the Disabled Student Services Office at 747-5148, go to the Union Bldg. East, room 106, or e-mail dss@utep.edu.

Course Outline and Tentative Schedule

Week	Topic	Chapter	Assignment: End of Chapter Problems
1	An Overview of Financial Management Financial Markets and Institutions	1 2	
2	Financial Statement, Cash Flows, and Taxes Analysis of Financial Statements	3 4	HW1 Ch3 7 th : Pg87, #2-9
3	Analysis of Financial Statements Catch-up, Problem Review	4	HW2 Ch4 7 th : pg126, #1-10, 12.
4	Exam 1 (Chs1-4) Time Value of Money	5	
5	Time Value of Money	5	HW3 Ch5 7 th : pg173, #1, 2, 7, 9, 12-16, 18, 20, 21, 23, 24, 25, 34.
6	Interest Rates	6	HW4 Ch6 7 th : Pg211, 2-5, 7-9.
7	Bonds and Their Valuations	7	HW5 Ch7 7 th : Pg250, #1-3, 5, 7, 13.
8	Catch-up, Problem Review, Exam 2 (Chs 5,6,7)		
9	Risk and Rates of Return	8	HW6 Ch8 7 th : Pg290, #2-11.
10	Stocks and Their Valuations	9	HW7 Ch9 7 th : Pg324, 1-7, 10, 11, 13, 15.
Course Drop Deadline: Oct.31st 2014			
11	The Cost of Capital Catch-up, Problem Review	10	HW8 Ch10 7 th : Pg359, #1-3, 6, 8, 9, 12.
12	Exam 3 (Chs 8-10) The Basics of Capital Budgeting	11	
13	The Basics of Capital Budgeting Cash Flow Estimation	11 12	HW9 Ch11 7 th : Pg 393, 1, 4-7, 11.
14	Capital Structure and Leverage	13	HW10 Ch13 7 th : Pg 473, #1, 2, 4, 6, 14a.
15	Catch-up, Problem Review Exam 4 (Chs 11-13)		
16	Final Exam (Optional) on Selected Chapters 5, 7, 9, 11, and 13. Thursday, Dec. 11th, 10:00am – 12:45pm		