



FINANCE 3310

Finance Concepts

Syllabus – May-Term 2016*

Instructor details:

Professor Nathan Walcott
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Class details:

Days: Mondays through Fridays, May 12 – May 26
Time: 10am-12pm AND 1pm-3pm
Canvas website: <https://smucox.instructure.com>
Room: TBD

Course Objectives and Learning Outcomes:

How do investors decide which stocks to purchase? How do banks determine to whom to loan money, or the interest rate to charge borrowers? How do companies sort through different investment options to choose the best among them? In order to answer these questions, one needs to understand and apply the concepts of finance. Even if you are not a business major, you will be making investment decisions throughout your entire life. The tools and concepts that you will learn in this course will help you make better financial decisions in the future.

In this course, you will learn the basics of finance and accounting. We will start with understanding financial accounting rules and statements. Then, we will learn how to value distant and uncertain cash flows and move through understanding risk and applying the tools to make investment decisions for a firm and yourself. We will also survey the fundamental drivers of financing policy in a corporation and you will learn how stocks and bonds are valued and how financial markets interact with businesses.

Upon completion of the course, the student should be able to:

1. Explain the basic structure of financial statements
2. Analyze corporate performance using financial ratios and cash flow analyses
3. Estimate the value of cash flows using time value of money concepts
4. Make project investment decisions using capital budgeting techniques
5. Explain in quantitative terms risk and return
6. Explain the relation between risk and return
7. Estimate the cost of capital

Instructor Biography:

My undergraduate major was biochemistry, but a few years of working in a laboratory made me question that career choice. I went back to school to earn an MBA (thinking that I would work for a biotech company on the business side and be able to speak to both managers and scientists). But while in the MBA program, I took my first finance class and was hooked! Upon completing my MBA from the University of Washington, I applied and was admitted into their finance Ph.D. program. I have been teaching finance for over 10 years and have won multiple teaching awards. And I envy you students who are getting to learn this material for the first time!

* I reserve the right to modify or make changes to the course and/or the syllabus during the semester.

Required Material:

- Ross, Westerfield and Jordan, “Fundamentals of Corporate Finance,” 11th edition (ISBN: 978-007-7861704)

My lectures will cover all of the material that you will need to know for the course. But due to the condensed timeframe of the course, you will need to read the corresponding material AHEAD of the lecture days. You may choose an earlier edition of this textbook to save money, but you are responsible for finding the appropriate chapters in the earlier editions. I will also assign homework problems that you will complete after each day of lecture.

- **Lecture notes:** These powerpoint slides will be made available on the course Canvas site prior to class.
- **Calculator:** You will need a calculator every day in class. It does not need to be a financial calculator... but it must be able to compute exponents. Smartphone use will not be allowed on exams.

Grading:

The course grade is based on three in-class exams (25% each), and nightly homework assignments (25%).

The finance department at SMU has designated maximum grade distributions for A and A- grades for this course. I will follow this policy in awarding grades. The top 20% of the class will get A grades, and the next 20% will get A- grades. I will also guarantee that the following 20% will earn at least a B+ and the following 20% after that will earn at least a B. Grades at the bottom 20% of the class will be awarded at my discretion based on their performance during the semester relative to the class.

Exams:

The exams together constitute 75% of your final grade. Exams will be administered during 80 minutes of class time, with all but the final exam administered at the beginning of the day (9am). Please make a note of these exam dates and plan to be available for these exams. Make up exams will be given only under very unusual and unavoidable circumstances. Treat these test dates as you would an important meeting in the business world—that means that unless you are actually hacking-up a lung, you had better be there.

- MIDTERM EXAM #1: Tuesday, May 17, 10am
- MIDTERM EXAM #2: Monday, May 23, 10am
- FINAL EXAM: Thursday, May 26, 10am

The exams will be closed book and closed notes; however, **you will be allowed one cheat sheet to have with you at the exam.** Financial calculators will also be allowed during the exams. Given that the material covered on each midterm exam provides a framework for understanding the material in the remainder of the course, the exams will be cumulative. However, each exam will focus heavily on the material covered since the last exam.

Homeworks:

There will be 10 homework assignments to be completed during the J-Term... one each night (with the exception of the last day of class).

This series of homework problem sets is intended to assist the student learn and master the financial concepts covered in this course, as well as prepare the student for the in-class exams.

The assignments will be equally-weighted, and I will automatically drop the worst performance. Assignments are due before the start of the next class (at 10am SHARP). No late assignments will be accepted. You are to complete these assignments individually.

Handouts/Notes Policy:

I will present the course material via Powerpoint slides, which I will make available on Canvas prior to class. However, the slides on Canvas will be incomplete versions of the lecture slides, thus requiring you to take notes during class. I recommend that you print and bring these materials with you to class in order to take notes.

As a **strict** course policy, I do not make my lecture slides available to students outside of class. If you want the notes from me, attend class and take notes. If you miss class for any reason, you are responsible for obtaining the material from classmates. I am happy to help you with understanding the material if you miss class, but I will not provide you with the slides from class.

Special Arrangements and Exam Conflicts:

Disability Accommodations: Students needing academic accommodations for a disability must first register with Disability Accommodations & Success Strategies (DASS). Students can call 214-768-1470 or visit <http://www.smu.edu/Provost/ALEC/DASS> to begin the process. Once registered, students should then schedule an appointment with the professor as early in the semester as possible, present a DASS Accommodation Letter, and make appropriate arrangements. Please note that accommodations are not retroactive and require advance notice to implement.

Religious Observance: Religiously observant students wishing to be absent on holidays that require missing classes should notify their professors **in writing at the beginning** of the term, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence.

Documented evidence that you were seriously ill at the scheduled time of an exam is the only valid excuse for missing an exam. In order to be excused from an exam, you must contact me *prior to the exam* and be ready to provide me with documentation after the exam.

Excused Absences for University Extracurricular Activities: Students participating in an officially sanctioned, scheduled University extracurricular activity will be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with me prior to any missed scheduled examination or other missed assignment for making up the work.

Academic Misconduct:

I take academic misconduct cases very seriously. Any student found in violation of academic regulations (the SMU Honor Code) is subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since such dishonesty harms the individual, all students, and the integrity of the University, policies on academic dishonesty will be strictly enforced. For further information, please visit the Honor Council web site at <http://www.smu.edu/honorcouncil>. Please note that ALL cases of academic misconduct in my course will be reported to the Office of the Dean of Student Life, with no exceptions.

Course Schedule:

<u>Day/Date</u>	<u>Topics</u>	<u>Assigned Chapters</u>
<u>MAY</u>		
Thurs 12	Course Orientation and Syllabus Financial Accounting and Statements Key Financial Ratios	Chapters 1 and 2
HOMEWORK #1		
Fri 13	What Is Finance? Time Value of Money	Chapters 3 and 5
HOMEWORK #2		
Mon 16	Interest Rates and Compounding Valuation of Cash Flow Streams	Chapter 6
HOMEWORK #3		
Tue 17	MIDTERM EXAM #1 (10am – 11:20am) Real and Nominal Rates Bond Valuation	Chapter 7
HOMEWORK #4		
Wed 18	Metrics for Investment Decisions	Chapter 9
HOMEWORK #5		

<u>Day/Date</u>	<u>Topics</u>	<u>Assigned Chapters</u>
Thurs 19	Capital Budgeting and Investment Decisions	Chapter 10
	HOMEWORK #6	
Fri 20	Stock Valuation Risk and Return Characteristics Computation of Risk and Return	Chapters 8 and 12
	HOMEWORK #7	
Mon 23	MIDTERM EXAM #2 (10am – 11:20am)	
	Portfolio Risk and Return	Chapter 13
	HOMEWORK #8	
Tue 24	Capital Budgeting with Risk	Chapter 14
	HOMEWORK #9	
Wed 25	Capital Structure Market Efficiency	Chapters 12 and 16
	HOMEWORK #10	
Thurs 26	FINAL EXAM (10am – 12pm)	