FINN 3226-003  Financial Theory and Practice  SPRING 2021

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Office hours: By appointment only via Webex
Class- TR 2.30 p.m - 3.45 p.m.; Online

Outline of Class Schedule

**Topic 1.** Financial Management and the Financial Environment- Ch. 1; Jan. 21st.
Read Chapter 1 prior to the beginning of the Spring Semester’s class. Solutions to all selected test relevant Chapters’ problems are posted in Canvas. You should work them and confirm the answers using your calculators.

**Topic 2.** Risk and Return-Ch. 2; Do all Sections except 2.9; Jan. 21st.– Jan. 28th.
Power Point; Read and work through all the relevant Chapter 2 slides.
Textbook: Problems, 2-1; 2-5; 2-7; 2-9; 2-10, and 2-12 are already solved.

**Topic 3.** Risk and Return-Ch. 3; Do all except Sections 3.6 and 3.7; Feb. 2nd. – Feb. 9th.
Power Point; Read and work through all the relevant Chapter 3 slides.
Textbook: Problems, 3-1; 3-3; 3-4; and 3-5 (part B only) are already solved.

**Topic 4.** Bond Valuation, Ch. 4; Feb. 11th. – Feb. 18th.
PowerPoint; Read and work through all the Chapter 4 slides.
Textbook: Problems, 4-1; 4-2; 4-3; 4-7; 4-9; 4-10; 4-14 and 4-16 are already solved.
Ungraded assignment# 1, and its solutions are already posted. Use it for self-testing purposes only.
Feb. 23rd will be a review day for Midterm 1.

**Midterm 1, Thursday, Feb. 25th.**

**Topic 5.** Financial Options- Ch. 5. (Ignore Sections 5-4 and 5-5.) Mar. 2nd. – Mar. 9th.
Power Point; Read and work through all the relevant Chapter 5 slides.
Textbook: Problems, 5-1; 5-2; 5-4; 5-6; and 5-7 are already solved.

**Topic 6.** Stock Valuation- Ch. 8; Do all Sections except 8.4 up to 8.9. Mar. 11th. – Mar. 18th.
Power Point; Read and work through all the relevant Chapter 8 slides.
Textbook: Problems 8-1; 8-2; 8-3; 8-4; 8-5; 8-8 and 8-10 are already solved.

**Topic 7.** Corporate Governance. –Ch. 10.; Mar. 23rd.
Power Point; Read and work through all the Chapter 10 slides.
Textbook: Problems 10-1; 10-2; 10-3 and 10-4. In class discussion only.
Power Point; Read and work through all the relevant Chapter 14 slides.
Ungraded assignment# 2, and its solution are already posted on Canvas. Use it for self-testing purposes only. -Mar. 23rd. will be a review day for Midterm 2.

Midterm 2, Thursday Mar. 25th.

Topic 9. Cost of Capital. –Ch. 11.; Apr. 6th. - Apr. 8th.
Power Point; Read and work through all the Chapter 11 slides.
Textbook: Problems, 11-2; 11-3; 11-4; 11-6; 11-7 and 11-13 are already solved.

Topic 10. Capital Budgeting, Ch.12; Do all sections except 12.9; Apr. 13th. – Apr. 20th.
Power Point; Read and work through all the relevant Chapter 12 slides.
Textbook: Problems, 12-1 up to 12-5; 12-7;12-8 and 12-10 are already solved.

Power Point; Read and work through all the relevant Chapter 19 slides.

Topic 12. Distributions to Shareholders. Ch. 15.; Ignore Sections 15.7 up to 15-9. Apr.29th-
Power Point; Read and work through all the relevant Chapter 15 slides.
Textbook: Problems, 15-4; 15-5; 15-8; will be discussed in class (time permitting).

Ungraded assignment# 3, and its solution are already posted on Canvas. Use it for self-testing purposes only. This third assignment will constitute a partial review for the final exam. No sample final exam or sample midterm exams will be provided. May 4th will be a review day for Final Exam.

(May 6, 2021. No Classes-Reading Day)

Final Examination:
As per University Schedule

Course Description
Modern financial theory and its applications, including risk theory, market equilibrium asset pricing models, efficient market theory, capital structure theory and applications (including issues surrounding financial distress and bankruptcy), dividend policy, agency problems, informational asymmetry, advanced topics in capital budgeting, and leasing.
**Course Objectives**

The objectives of the course are to ensure that all students master the core elements of modern finance theory. Upon completion of this course you will be able to apply the discussed theories and models either for your personal benefit or in any business role where you must make financial decisions. A solid theoretical basis is provided to enable you to evaluate stocks, bonds, options, leases, and projects on standalone bases. In addition, we assess overall risk in a portfolio context. Students will be expected to measure cost of capital, make optimal capital budgeting decisions and to determine the best dividend policies and capital structures. This course emphasizes an analytical and quantitative approach. Be prepared to work dozens of varied applied problems over the course of the semester, in which the theory is put into practice with either simulated or real data. The theories discussed in class will find outlets in these applied problems. **Concentrate on seeing what the underlying issues in any question are, regardless of how the problems are worded. Solutions to all textbook problems are in Appendix B of your textbook.**

**Grading.**

Grades will be assigned solely based on performance on (3) written in-class examinations (the final examination and 2 midterms). The midterm examinations are weighted (30%) each. The final examination is weighted 40%. I strongly encourage you to work through the self-tested (ungraded) assignments in a detailed and conscientious fashion. The effort will test your understanding of the material and provide some insight into your possible future exam performance.

Students must pay special attention to all worked examples, relevant textbook Chapters, Lecture Notes, key Power Point Slides, and the self-test assignments. Grades are based on the following scale A, 100-90; B, 89-79; C, 78-68; D, 67- 57; F, 56-0. The granting of extra points (or adjustments to this posted scale) will be done solely at my discretion.

**EXAMS**

Each midterm exam will be based on 25 multiple choice questions. You will be tested on the concepts involved in the worked problems from the textbook, Power Point slides, posted notes and its relevant (self-tested) assignment. All exam questions will be based on the concepts that we have discussed previously. There will be at least three in-class unannounced (ungraded) quizzes, which will help you prepare for the exams. No two questions are generally going to be identical in their wording. The final exam is comprehensive and will comprise 30 questions, drawn from Chapters 2, 3, 4, 5, 8, 11, 12. There are no posted sample midterms, nor sample final exams. The grade replacement rule is only applicable if you take all three exams. Read, detach, and sign the form on page 6. Return that signed page to me by email.

**Calculators, Formulas, and their Usage**

A copy of all formulas is already posted in Canvas. Make personal copies of the formulas before the online exam date. All problems done in my class are solvable on a personal calculator. Your ability to use your own calculator on exams will be key to your success in this course. Therefore, the final responsibility is yours, for being able to enter the problems into your calculator. You should therefore practice working all problems on your own personal calculators, using the textbook formulas. If you cannot do the posted problems online, with the extensive solutions given there, using your calculators maybe you should consider taking additional training in calculator usage before you continue in my course. **You will not perform well in this course if you are not proficient in the use of your own calculator.**
Absences from Examinations.

If you cannot take the Final Examination, at the scheduled time, for severe medical emergency, a death in the family or other major reasons, supported with a valid doctor’s certificate, you will be awarded an “I” and can complete the course requirements the following semester. No make-up exam will be given unless one of the above factors does apply. If you miss one midterm examination, your final examination will have a 70% weight. If you miss two midterm examinations, you will be assigned an “F” for this course.

Class absences.

Students are expected to attend all classes. If you miss classes, you do so at your own peril. Students, who are not present during the times extra problems are discussed, will still be held responsible for all such materials. Typically, there are problems covered spontaneously in class, on the basis of student questions. All such samples will not be posted on Canvas.

Lectures and Instruction

This is a senior-level course in finance theory with applications. I will assume that you are therefore about to enter the job market, this year or next year, if you are not already working. Hence, we will not review basic elementary principles of finance. You should know how to evaluate the present values of future (regular or irregular) cash streams. You should also know the basics of compounding. We have lots of new concepts to explore and discuss in detail. We therefore will not have a lot of time to spend on explanations of how to input data into your calculators. In summary, you should be competent and proficient, using the calculator of your choice, to work out basic problems involving present value and future value computations. Any financial calculator is permitted to be used in my class. The principal method of instruction will be primarily by means of lectures and Power Point but we will also cover selected questions from each test relevant textbook chapter.

I will conduct several unannounced in-class quizzes that will aid you greatly, even though they do not count toward your final grade directly. Such quizzes will generally not be available online unless you attend the class sessions in which they are given. Extensive lecture notes are provided as an extra source of help to you. If you do not understand the worked examples, make an appointment to discuss same with me during my office hours. Please read and work your way through them using your own calculator to verify the accuracy of all answers. A good financial calculator in working order is an absolute necessity. You should have your calculator with you during all class sessions. For each class you should at minimum, try to read the relevant chapter slides so that you are prepared for the in-class discussions.

Lecture Materials and Posted Notes

My lectures and course materials, including presentations, tests, exams, outlines, and similar materials, are protected by copyright. I am the exclusive owner of copyright in those materials I create. I encourage you to take notes and make copies of course materials for your own educational use. However, you may not, nor may you knowingly allow others to reproduce or distribute lecture notes and course materials publicly without my express written consent. This includes providing materials to commercial course material suppliers such as Course Hero and other similar services. Students who publicly distribute
or display or help others publicly distribute or display copies or modified copies of an instructor’s course materials may be in violation of University Policy 406, The Code of Student Responsibility. Similarly, you own copyright in your original papers and exam essays. If I am interested in posting your answers or papers on the course web site, I will request your written permission.

Ban on in class recording

Electronic video, image capture, and/or audio recording is not permitted during class, whether conducted in person or online, unless you obtain explicit permission from me. If permission is granted, any distribution of the recording is prohibited. Students with specific electronic recording accommodations authorized by the Office of Disability Services do not require my permission; however, such students must notify me of any such accommodation at the start of the semester and prior to recording. Any distribution of such recordings is prohibited.

Academic Integrity and Diversity Statements

Students are advised to apprise themselves of and adhere to the rules specified in the UNC-Charlotte code of student integrity regulations, which will be strictly enforced in this class.

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals are respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Disability Accommodation

UNC Charlotte is committed to access to education. If you have a disability and need academic accommodations, please provide a letter of accommodation from Disability Services early in the semester. For more information on accommodations, contact the Office of Disability Services at 704-687-0040 or visit their office in Fretwell 230.
Course Prerequisite: FINN 3120. (Absolutely required as a minimum.) Ideally you would have already taken or be currently enrolled in FINN 3222 (Investments)

I know that you want to perform well. Students with high grade scores, attend classes regularly and work through the posted problems. They also participate actively in the discussions, by asking relevant questions. They typically spend at least three hours per week reading the course materials at home and are prepared when they attend class. The exams are very objective, i.e. quantitative, but based on the concepts covered in class. Specifically, you will be tested to see if you can reason and apply the concepts that we have discussed. If you follow the above guidelines you should have no difficulty in earning a “B” as your course grade.

Grading.
Midterm 1 (MT#1); (30% of your grade), 25 Multiple Choice Questions.
Midterm 2 (MT#2); (30% of your grade), 25 Multiple Choice Questions.
Final Exams; (40% of your grade), 30 Multiple Choice Questions.

Grades are based on the following scale A, 100-90; B, 89-79; C, 78-68; D, 67-57; F, 56-0. There are no points awarded for attendance, class participation and zero scope for extra work credit. All points are earned in objective in-class assessments. Ensure that you understand how exam grades are earned and the grade replacement rule, providing you take all three exams.

1. If I add extra points to all scores, maximum score on any midterm exam will generally be capped at 100, with no carry over to the Final Exam.
2. If your score on the final exam is higher than the average midterm scores, the lower of the two midterm scores will be replaced.

As a hypothetical example, suppose you have scores of MT#1- 60, MT#2- 70 and 90 on the final exam. The midterm grade replacement rule would mean that you will be credited with having scored MT#1- 75, MT#2- 70 and Final Exam- 90. This would change your final course grade from “C” to “B”.

By taking this course you are agreeing to the stated rules and clearly understand what they mean. If you do not want to follow these rules, please drop my course.

Your name in Block Lettering:
Your signature: