FINN 3226-002  Finance Theory and Practice  Fall 2018

Professor L. P. Blenman
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Office Hours
MW-9.15 am-10.45 am; and by appointment only.
Class- MWF 1.25 p.m. - 2.15 p.m; McEniry Hall 117;

No other materials are required.

Outline of Class Schedule

Read Chapter 1 prior to the beginning of the Fall Semester’s class.

Topic 2. Risk and Return, Part I-Ch. 2; Do all Sections except 2.9; Aug. 20th.
–Aug. 27th.
Power Point; Read and work through all the relevant Chapter 2 slides.
Text book: Work Problems, 2-1; 2-3;2-5;2-7;2-9;2-10;2-11;2-12

Topic 3. Risk and Return, Part II- Ch. 3; Do all except Sections 3.6 and 3.7; Aug. 29th – Sep. 7th.
Power Point; Read and work through all the relevant Chapter 3 slides.
Text book: Work Problems, 3-1; 3-3;3-4; 3-5 (part B only)

Topic 4. Bond Valuation, Ch. 4; Sep. 14th – Sep. 21st.
Power Point; Read and work through all the Chapter 4 slides.
Text book: Work Problems, 4-1; 4-2; 4-3;4 -7;4-9; 4-10; 4-14;4-16;

Ungraded assignment #1, will be posted on Canvas (together with solutions separately) on September 15th. Use it for self-testing purposes only. Sept. 24th will be a review day for this class. Answer Key for Midterm 1, will be posted on Sep 27th. Graded exams will be returned and discussed on Sept. 28th.

Midterm Examination #1, Sep. 26th.

Topic 5. Financial Options- Ch. 5. (Ignore Sections 5-4 and 5-5.) Sep. 28th.- Oct. 5th.
Power Point; Read and work through all the relevant Chapter 5 slides.
Text book: Work Problems, 5-1; 5-2;5-4;5-6;5-7;

No Classes during Oct. 8th -Oct. 9th.
Topic 6. Financial Statement Analysis- Ch. 7; Do all sections except 7.7; Oct. (10th. – 17th).
Power Point; Read and work through all the relevant Chapter 7 slides.
Text book: Work Problems, 7-1; 7-2; 7-5; 7-6; 7-7;

Topic 7. Stock Valuation- Ch. 8; Do all Sections except 8.4 up to 8.9.
Power Point; Read and work through all the relevant Chapter 8 slides.
Text book: Work Problems; 8-1; 8-2; 8-3; 8-4; 8-5; 8-8; 8-10

PowerPoint; Read and work through all the Chapter 10 slides.
Text Book: Work Problems; 10-1; 10-2; 10-3; 10-4.

Ungraded assignment# 2, will be posted on Canvas (together with solutions separately) on Oct. 15th, 2018. Use it for self-testing purposes only. Oct. 29th will be a review day for this class. Answer Key for Midterm 2, will be posted on Nov. 1st. Graded exams will be returned and discussed on Nov. 2nd.

Midterm Examination #2, Oct. 31st.

Topic 9. Cost of Capital. –Ch. 11.; Nov. 5th.- Nov. 12th.
Power Point; Read and work through all the Chapter 11 slides.
Text book: Work Problems, 11-2; 11-3; 11-4; 11-6; 11-7; 11-13.

Topic 10. Capital Budgeting: Decision Criteria, Ch. 12; Do all sections except 12.9; Nov. 14th. – Nov. 19th.
Power Point; Read and work through all the relevant Chapter 12 slides.
Textbook Work Problems, 12-1 up to 12-5; 12-7; 12-8; 12-10.

No Classes Nov. 21-Nov. 24th.

Power Point; Read and work through all the Chapter 13 slides.

PowerPoint; Read and work through all the relevant Chapter 15 slides.
Text Book: Work Problems, 15-4; 15-5; 15-8;

Ungraded assignment #3, (together with solutions separately), will be posted on Canvas on Nov. 20th. Use it for self-testing purposes only. This third assignment will constitute a partial review for the final exam. No sample final or midterm exams will be provided.

(Dec. 6, 2018. No Classes-Reading Day)

Final Examination
Wednesday Dec. 12th, 2018; 2 p.m. - 4.30 p.m.

Course Description

The course deals with modern finance theory and its applications to corporate finance. We will cover equilibrium asset pricing models, efficient markets hypothesis, risk analysis and real options theory in corporate decision-making. The topics of informational asymmetry, optimal corporate structure and dividend policies will also be investigated in detail. Agency conflicts and their impact on corporate performance, financial restructuring and leasing policies will conclude the set of issues to be analyzed.

Course Objectives

The objectives of the course are to ensure that all students master the core elements of corporate finance. They should by the end of the course be able to utilize the discussed theories and models to evaluate stocks, bonds, and options as well as to assess risk in the corporation. 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 to problem solving. Solutions to all textbook problems are in Appendix B.

Grading.

Grades will be assigned solely on the basis of 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 them 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 are encouraged to 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, 68-58; F, 57-0. Extra points will be awarded solely at my discretion.

EXAMS

Each midterm exam will be based on 20 multiple choice questions. Each exam will be similar in content to worked problems from the textbook, Power Point slides, posted notes and its relevant (self-tested) assignment but not identical. The final exam is comprehensive and will comprise 30 questions. There are no posted sample midterms or sample final exams.

Formulas and their Usage

I will provide you with a formula sheet (photocopy thereof) from the textbook for each exam. That should be the only formula sheet in your possession during the exam. If you have any other samples, formulas and/or notes that will be treated as an act of dishonesty.

Absences from Examinations.

If you cannot take the Final Examination, at the scheduled time, for medical reasons, you will be awarded an “I” and can complete the course requirements the following semester. 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 and have a working financial calculator to solve problems if I call upon you. 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

This is the capstone course in corporate finance. 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. Make absolutely sure that you know how to use your own calculator as it is your responsibility. The principal method of instruction will be primarily by means of lectures via PowerPoint but we will also cover selected questions from each test relevant textbook chapter.

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. Please read and work your way through them using your calculator to verify the accuracy of all answers. Old exams are circulating but they do not accurately reflect the current focus of this course. A good non-programmable financial calculator is an absolute necessity.

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 is 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.

**Office Hours**

Please use my office hours freely to discuss all the problems and concepts that you do not understand.

**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.