

FINN 3226-002

Finance Theory and Practice

Spring 2019

Professor L. P. Blenman

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Office Hours

TR- By appointment only.

Class- TR 10.00 a.m.- 11.15 a.m; Friday 142

Required Text: Intermediate Financial Management, 12th edition, Eugene F. Brigham and Philip R. Daves, Cengage Learning, 2016. No other course materials are required.

Outline of Class Schedule

Topic 1. Overview: Financial Management and the Financial Environment- Ch. 1; **Jan. 10th.**

Read Chapter 1 prior to the beginning of the Spring Semester's class.

Topic 2. Risk and Return, Part I- Ch. 2; **Do all Sections except 2.9; Jan. 10th. – Jan. 24th.**

Power Point; Read and work through all the relevant Chapter 2 slides.

Text book: Problems, 2-1; 2-5; 2-7; 2-9; 2-10, and 2-12 will be done in class. Please try to solve them at home also.

Topic 3. Risk and Return, Part II- Ch. 3; **Do all except Sections 3.6 and 3.7; Jan. 24th – Jan. 29th.**

Power Point; Read and work through all the relevant Chapter 3 slides.

Text book: Problems, 3-1; 3-3; 3-4; and 3-5 (part B only) will be done in class. Please try to solve them at home also.

Topic 4. Bond Valuation, Ch. 4; **Jan. 29th – Jan. 31st.**

Power Point; Read and work through all the Chapter 4 slides.

Text book: Problems, 4-1; 4-2; 4-3; 4-7; 4-9; 4-10; 4-14 and 4-16 will be done in class. Please try to solve them at home also.

Ungraded assignment #1, will be posted on **Canvas (together with solutions)** on or before **Jan. 20th.** Use it for self-testing purposes only. **Feb 7th** will be a **review day** for this class. Answer Key for Midterm 1, will be posted on **Feb. 13th.** Graded exams will be returned and discussed on Feb. 14th.

Midterm Examination #1, Feb. 12th.

Topic 5. Financial Options- Ch. 5. (Ignore Sections 5-4 and 5-5.) Feb. 14th. - Feb 19th.

Power Point; Read and work through all the relevant Chapter 5 slides.

Text book: Problems, 5-1; 5-2; 5-4; 5-6; and 5-7 will be done in class. Please try to solve them at home also.

Topic 6. Financial Statement Analysis- Ch. 7; Do all sections except 7.7; Feb. 19th. – Feb. 21st.

Power Point; Read and work through all the relevant Chapter 7 slides.

Text book: Problems 7-1; 7-2; 7-5; 7-6 and 7-7 will be done in class. Please try to solve them at home also.

Topic 7. Stock Valuation- Ch. 8; Do all Sections except 8.4 up to 8.9. Feb. 21st. – Feb. 28th.

Power Point; Read and work through all the relevant Chapter 8 slides.

Text book: Problems 8-1; 8-2; 8-3; 8-4;8-5;8-8 and 8-10 will be done in class. Please try to solve them at home also.

No Classes during March. 4th -March. 9th.

Topic 8. Corporate Governance. –Ch. 10.; Mar. 12th -Mar. 14th.

PowerPoint; Read and work through all the Chapter 10 slides.

Text Book: Problems 10-1; 10-2; 10-3 and 10-4. In class discussion only.

Ungraded assignment# 2, will be posted on **Canvas** (together with solutions) on or before Feb. 15th. Use it for self-testing purposes only. **March. 19th** will be a **review day** for this class. Answer Key for Midterm 2, will be posted on **March. 23rd**. Graded exams will be returned and discussed on March. 26th.

Midterm Examination #2, March 21st.

Topic 9. Cost of Capital. –Ch. 11.; Mar. 26th. - Mar. 28th.

Power Point; Read and work through all the Chapter 11 slides.

Text book: Problems, 11-2; 11-3; 11-4; 11-6; 11-7 and 11-13. will be done in class. Please try to solve them at home also.

Topic 10. Capital Budgeting: Decision Criteria, Ch.12; Do all sections except 12.9; Mar. 28th. – Apr. 9th.

Power Point; Read and work through all the relevant Chapter 12 slides.

Text book: Problems, 12-1 up to 12-5; 12-7;12-8 and 12-10 will be done in class. Please try to solve them at home also.

Topic 11. Capital Budgeting: Estimating Cash Flows and Analyzing Risk. Ch. **13; Do all sections except 13.5, 13.7; 13.8, 13.9. Apr. 11th- Apr. 18th.**

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

Text book: Problems, 13-1; 13-2; 13-3; 13-6 and 13-11. will be done in class. Please try to solve them at home also.

No Classes Apr. 19th -Apr. 21st.

Topic 12. Distributions to Shareholders. Ch. 15.; **Ignore Sections 15.7 up to 15-9. Apr. 23rd-Apr. 30th.**

PowerPoint; Read and work through all the relevant Chapter 15 slides.

Text Book: Problems, 15-4; 15-5; 15-8; will be done in class (time permitting). Please try to solve them at home also.

Ungraded assignment #3, (together with solutions), will be posted on **Canvas** on or before **April 7th**. **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 1, 2019. No Classes-Reading Day)

<p style="text-align: center;">Final Examination As per University Schedule</p>

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 a

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 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 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. **The granting of extra points (or adjustments to the posted scale) will be done solely at my discretion.**

EXAMS

Each midterm exam will be based on **25 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, drawn from Chapters 2, 3, 4, 5, 8, 11, 12, 13. **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. If you miss classes you do so at your own peril. This is not an on-line course. 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. **For each class you should at minimum, try to read the relevant chapter slides so that you are prepared for the in-class discussions.**

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 make appointments with me 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](tel:704-687-0040) or visit their office in Fretwell 230.

Required Text: Intermediate Financial Management, 12th edition, Eugene F. Brigham and Philip R. Daves, Cengage Learning, 2016. **No other course materials are required.**

Course Prerequisite: FINN 3120. (**Absolutely required.**)

This is a capstone course and I know that you are anxious to do well. Students who perform well in my course attend class regularly and participate in class room discussions. They typically spend at least three hours per week reading the course materials at home and are prepared when they attend class.

Grading.

Midterm 1; (30% of your grade)

Midterm 2; (30% of your grade)

Final exam; (40% of your grade)

Grades are based on the following scale A, 100-90; B, 89-79; C, 78-68; D, 68-58; F, 57-0. **The granting of extra points (or adjustments to the posted scale) will be done solely at my discretion.** Please ensure that you understand these rules and the additional options given to you.

Extra Options for you if you want them:

1. Permit me to add a maximum of (20%), solely at my discretion, to the sum of your midterm grades and keep the posted schedule with zero deviation, when your final grades are computed.
2. Permit me to modify, solely at my discretion, the posted schedule as needed with no extra 20% allocation, when your final grades are computed.
3. Make no selection but permit me to make the optimal choice when compiling the final course grade.
4. Keep things as they are in the syllabus.

Your name in Block Lettering:

Your signature:

Your choice: