FINN 3226-003  Finance Theory and Practice  Spring 2020

Professor L. P. Blenman
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Office Hours
TR 11.20 a.m-12.50 p.m. and by appointment.
Class- TR 2.30 p.m- 4.15 p.m.; McEniry 117


Outline of Class Schedule

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. 14th. – Jan. 16th.
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 are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

Topic 3. Risk and Return, Part II- Ch. 3; Do all except Sections 3.6 and 3.7; Jan. 16th – Jan. 23rd.
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) are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

Topic 4. Bond Valuation, Ch. 4; Jan. 23rd –. Jan 30th.
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 are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

Ungraded assignment# 1, will be posted on Canvas before the class starts. Use it for self-testing purposes only. Feb. 6th will be a review day for this class. Answer Key for Exam 2, will be posted on Feb. 12th. Graded exams will be returned and discussed on Feb. 13th.

Exam 1, Tuesday, Feb. 11th.
Topic 5. Financial Options- Ch. 5. (Ignore Sections 5-4 and 5-5.) Feb. 13th. – Feb. 20th.
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 are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

Topic 6. Financial Statement Analysis- Ch. 7; Do all sections except 7.7; Feb. 25th. – Feb. 27th.
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 are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

No Classes Mar. 2th- Mar. 7th

Topic 7. Stock Valuation- Ch. 8; Do all Sections except 8.4 up to 8.9. Mar. 10th. – Mar. 12th
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 are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

Topic 8. Corporate Governance. –Ch. 10.; Mar. 12th
Power Point; 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 (if time permits).
Ungraded assignment# 2, will be posted on Canvas before the class starts. Use it for self-testing purposes only. Mar. 17th will be a review day for this class. Answer Key for Exam 2, will be posted on Mar. 20th. Graded exams will be returned and discussed on Mar. 24th.

Exam 2, Thursday Mar. 19th.

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 are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

Topic 10. Capital Budgeting: Decision Criteria, Ch.12; Do all sections except 12.9; Mar. 31st. – Apr. 14th.
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 are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

**No Classes Apr. (10th - 11th.)**


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

Text book: Problems, 13-1; 13-2; 13-3; 13-6 and 13-11 are already solved with the detailed solutions posted on Canvas. Work through them independently at home also.

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

**Power Point; Read and work through all the relevant Chapter 15 slides.**

Text Book: Problems, 15-4; 15-5; 15-8; will be discussed in class (time permitting).

**Ungraded** assignment #3, (together with solutions), will be posted on Canvas before class starts. Use it for self-testing purposes only. This third assignment will constitute a partial review for the final exam on Apr. 28th 2020. **No sample final exam or sample midterm exams will be provided.**

(April 29, 2020. No Classes-Reading Day)

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**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 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 same concepts that we have discussed previously. We will literally work through dozens of problems in class with some unannounced (ungraded) quizzes. 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, 12. There are no posted sample midterms, and sample final exams. I have a grade replacement policy. This only applies if you take all three exams!!!
Formulas and their Usage

I will provide you with a formula sheet (photocopy thereof) from the textbook for each exam. You should practice working problems on your calculators, using the textbook formulas. If you cannot do the posted problems online, with the solutions given there, using your own 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 usage of your own calculator.

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 and Instruction

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. 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 via 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 not be available online. 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 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.

**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. The entire set of course materials were laid out prior to the start of the course. **They are there for you to study them.**

**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.
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**Course Prerequisite:** FINN 3120. (*Absolutely required as a minimum.*) Ideally you would have already taken or be currently enrolled in FINN 3222 (Investments)

This is a capstone course and I know that you are anxious to do well. Good performing students attend classes regularly and 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. My 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.

**Grading.**

Midterm 1; (30% of your grade), 25 Multiple Choice Questions.
Midterm 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. The granting of extra points (or adjustments to this posted scale) will be done solely at my discretion. Please ensure that you understand these rules and the policy option given to you, providing you take all three exams.

1. Permit me to replace the lower midterm grade, if you score better on the final exam with an average score, when your final grades are computed.

For example, if you have scores of MT#1- 60, MT#2- 70 and 90 on the final exam. The replacement option means that you will be credited with having scored MT#1- 75, MT#2- 70 and Final Exam- 90. This changes your final course grade from “C” to “B”.

The replacement score is the simple average of your lowest and highest score. There are no points awarded by any other means, none whatsoever. Please do not ask me at the end of the course for any other modifications. I will not entertain any additional requests. By taking this course you are agreeing to the stated rules. If you do not want to follow these rules please drop my course.

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