



FIN 300: CORPORATE FINANCE

SUMMER 2018

GATTON COLLEGE OF BUSINESS

UNIVERSITY OF KENTUCKY

INSTRUCTOR:

Joseph Farizo

Office: Gatton 345K

joseph.farizo@uky.edu

www.josephfarizo.com

CLASS:

Monday-Friday 9:30am-11:30am

June 6 to July 3

Gatton Room 157

OFFICE HOURS:

Drop in anytime between 11:30 am - 1 pm

Mondays and Thursdays

For appointments: joseph.farizo@uky.edu

TOPICS:

1. Overview of Corporate Finance
2. Financial Statements
3. Valuation of Future Cash Flows
4. Capital Budgeting
5. Risk and Return
6. Cost of Capital

GRADING:

Your final grade consists of 4 exams, 4 review quizzes, and 12 homework assignments, totaling 560 points. To determine your grade, simply add the points earned on all your assignments.

A	500+ points
B	445-499 points
C	390-444 points
D	335-389 points
E	0 to 334 points

COURSE DESCRIPTION

This course is an introduction to the basic principles, concepts, and analytical tools in finance. We will examine the sources and uses of funds, budgeting, present value concepts and their role in the investment, financing, and dividend decisions of the corporate enterprise.

PREREQUISITES

The prerequisites for this course are ECO 201, ECO 202, ACC 201, ACC 202, MA 123, and STA 296.

TEXTBOOK

Fundamentals of Corporate Finance
Ross, Westerfield, and Jordan. 11th ed.
ISBN13: 9781259291852

This course requires access to McGraw-Hill's *Connect* to complete homework assignments. Visit <https://tinyurl.com/uk-fin-300> to purchase access, and be sure to follow the instructions to join this course. Verify that it is for the 11th edition of the textbook, not the new 12th edition.

Through Connect, you will have access to an electronic version of the textbook. At your discretion, you can also purchase a hard copy of the textbook in stores or online.

FINANCIAL CALCULATOR

You will need a financial calculator for some homework and exam problems. I strongly recommend the Texas Instruments BAII Plus <https://tinyurl.com/ti-ba-ii-plus>. It is usually available for purchase at Office Depot/Max, Wal-Mart, and Amazon for around \$40. The examples in class and in the textbook use the TI-BAII Plus, and this is the calculator I will be able to help you with.

CONTACT

The best way to get in touch with me is by email at joseph.farizo@uky.edu. Please make the subject line of your email **FIN 300** and include your full name and UK student ID somewhere in the email.

Feel free to stop by any time during my regularly scheduled office hours, held Mondays and Thursdays from 11:30 am to 1:00 pm. That time is devoted to helping you. If these times don't fit within your schedule, please email me and we can find a time that works.

GRADING AND ASSIGNMENTS

Your final grade is based on 4 exams, 12 homework assignments, and 4 review quizzes. To determine your score in the class, simply add the number of points you obtain on each assignment. Your final grade is the sum of all your scores. Compare to the grading scale below to find your letter grade. Grades will also be posted to the class Canvas page. If you wish to contest grading on any assignment, you must do so within 48 hours of when the grade is posted by emailing me or meeting with me in person.

You will receive a score of zero on any assignment you cheat on. Any instance of

cheating will be dealt with using the applicable rules of the UK Senate.

GRADE BREAKDOWN

Exam 1	100
Exam 2	100
Exam 3	100
Exam 4	100
Homework (10pts each)	120
Review Quiz 1	10
Review Quiz 2	10
Review Quiz 3	10
Review Quiz 4	10
<i>Total</i>	<i>560</i>

A	500+ points
B	445-499 points
C	390-444 points
D	335-389 points
E	0 to 334 points

EXAMS

Exams consist of 35 multiple-choice questions. You will have 2 hours to complete each exam. You will be given a formula sheet and can bring a financial calculator, student ID, and a pencil. **You must present your UK student ID when turning in your exam.** No other items are allowed. Exams are administered in class on Tuesdays: June 12th, 19th, 26th, and July 3rd. Each exam will cover the material on the previous three chapters. Homework questions, review quiz questions, slides, and class lecture and discussions are all fair game for the exam. Items I do not cover that are in the book will not be tested.

HOMWORK

Homework assignments consist of one chapter of material each and are due on Monday nights at 11:59 pm: June 11th, 18th, 25th, and July 2nd. No makeups are granted, and late submissions are not allowed. While the homework is graded for correctness, you will have *unlimited* attempts to get the correct answer. Therefore, the only problems you lose points on are those that you have not correctly completed once the deadline passes. Homework problems are drawn from a question bank that I have put together, so all students will not have the same questions. Nevertheless, feel free to work together. I recommend retaking the homework several times to be exposed to all the questions in the homework question bank to best prepare for the exam. Visit <https://tinyurl.com/uk-fin-300> to purchase access to *Connect*, and be sure to follow the instructions to join this course.

REVIEW QUIZZES

On Mondays before exams we will have a review. I will briefly cover the material on the upcoming exam, then pass out a review quiz. You will have ample time in class to work on this assignment, and I will be available to answer any questions you may have. Although you will work in groups, every student must turn in their own individual assignment. This assignment is due in class before the exam, on June 12th, 19th, 26th, and July 3rd. The review assignment is graded for correctness.

TIPS TO PERFORM WELL

- 1) Get organized! Use a folder to hold your syllabus, assignments, formula sheets, exam papers, and any other print-outs.

- 2) Come to every class.
- 3) Take notes in a notebook and not on a laptop. Don't copy the slides down word-for-word: they are available on my website. Instead, write the slide number in the margin and take notes on what is *discussed* in class.
- 4) Work on this class every day: follow the recommendations on the course agenda included with this syllabus.
- 5) Rework the homework problems several times, and participate in and understand the review quiz.
- 6) You have unlimited attempts on homework, so be sure to get all the points you can.
- 7) Come to office hours if you need help.
- 8) Know the slides, your notes, homework problems, and review quiz problems before you sit for an exam.

ATTENDANCE POLICY

S.R. 5.2.4.2 includes the following as acceptable reasons for excused absences:

- (a) serious illness of the student or serious illness of a member of the student's household or immediate family
- (b) illness or death of immediate family member (For the purpose of this rule, immediate family is defined as spouse or child or parent or sibling; and grandchild or grandparent),
- (c) University-related trips
- (d) major religious holidays
- (e) interviews for full-time job opportunities post-graduation and for graduate or professional school.

Makeup exams will be granted to students with valid documentation for any of the 5 above reasons. You must notify me by email

(joseph.farizo@uky.edu) at least 24 hours before the start time of the scheduled exam or no later than 24 hours after the excused absence (if an emergency makes it impossible to notify me in advance). Appropriate verification must be provided before any makeup exam takes place. I will confirm via email the receipt of your notification and an assigned time slot and location for you to take the makeup exam. A grade of zero for the missed exam will be recorded for unexcused absences, invalid excuse documentation, or failure to notify within the time allotted above.

POLICY ON ACADEMIC ACCOMMODATIONS DUE TO DISABILITY

If you have a documented disability that requires academic accommodations, please see me as soon as possible during scheduled office hours. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center (DRC). Students can provide their letter at any time during the semester, but accommodations are not retroactive. Accommodations may not be applied to course activities prior to the date the LOA is presented to the instructor. The DRC coordinates campus disability services available to students with disabilities. It is located on the corner of Rose Street and Huguelet Drive in the Multidisciplinary Science Building, Suite 407. You can reach them via phone at (859) 257-2754 and via email at drc@uky.edu. Their web address is uky.edu/DisabilityResourceCenter/.

RECOMMENDED READING

If you are interested in pursuing a career in finance or would like to expand upon what you learn in this class, I recommend reading and using the following books, newspapers, magazines, and websites:

- 1) *The Wall Street Journal* Newspaper
 - a. WSJ *CFO* Newsletter
 - b. WSJ *What's News* Newsletter
- 2) *The Economist* Magazine
- 3) *SeekingAlpha.com*
 - a. *Wall Street Breakfast* Newsletter
- 4) *Bloomberg.com*
- 5) *Finance.Yahoo.com*
- 6) *Barron's Dictionary of Finance and Investment Terms*

DISCLAIMER

I reserve the right to modify and update this syllabus over the course of the semester. Any such modifications will clearly be communicated to you via email and in class. A new syllabus with the modifications will also be posted to the class website and circulated. Despite this, modifications to this syllabus during a semester are unlikely.

TENTATIVE COURSE CALENDAR

Monday	Tuesday	Wednesday	Thursday	Friday
		<u>June 6</u> Syllabus & Chapter 1	<u>June 7</u> Chapter 2	<u>June 8</u> Chapter 3
<u>June 11</u> Review for Exam 1 Review Quiz 1 <i>HW Chs. 1-3 Due at 11:59 pm</i>	<u>June 12</u> Exam 1 (Ch. 1-3) <i>Review Quiz 1 due before exam</i>	<u>June 13</u> Chapter 5	<u>June 14</u> Chapter 6	<u>June 15</u> Chapter 7
<u>June 18</u> Review for Exam 2 Review Quiz 2 <i>HW Chs. 5-7 Due</i>	<u>June 19</u> Exam 2 (Ch. 5-7) <i>Review Quiz 2 due before exam</i>	<u>June 20</u> Chapter 8	<u>June 21</u> Chapter 9	<u>June 22</u> Chapter 10
<u>June 25</u> Review for Exam 3 Review Quiz 3 <i>HW Chs. 8-10 Due</i>	<u>June 26</u> Exam 3 (Ch. 8-10) <i>Review Quiz 3 due before exam</i>	<u>June 27</u> Chapter 12	<u>June 28</u> Chapter 13	<u>June 29</u> Chapter 14
<u>July 2</u> Review for Exam 4 Review Quiz 4 <i>HW Chs. 12-14 Due</i>	<u>July 3</u> Exam 4 (Ch. 12-14) <i>Review Quiz 4 due before exam</i>			

TENTATIVE COURSE AGENDA

✓	Date	Topics Covered	Recommendations	Items Due
	June 6	Syllabus and Chapter 1	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapter 1 ○ Preview Chapter 2 	
	June 7	Chapter 2	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapters 1 and 2 ○ Preview Chapter 3 	
	June 8	Chapter 3	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapters 1, 2, 3 	
	<i>June 9-10</i>	<i>Weekend</i>	<i>Prepare for Exam 1</i>	
	June 11	Review Quiz 1	<ul style="list-style-type: none"> ○ Prepare for Exam 1 ○ Finish Review Quiz 	HW Chs. 1-3
	June 12	Exam 1	<ul style="list-style-type: none"> ○ Preview Chapter 5 	Review Quiz 1
	June 13	Chapter 5	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapter 5 ○ Preview Chapter 6 	
	June 14	Chapter 6	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapters 5 and 6 ○ Preview Chapter 7 	
	June 15	Chapter 7	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapters 5, 6, 7 	
	<i>June 16-17</i>	<i>Weekend</i>	<i>Prepare for Exam 2</i>	
	June 18	Review Quiz 2	<ul style="list-style-type: none"> ○ Prepare for Exam 2 ○ Finish Review Quiz 	HW Chs. 5-7
	June 19	Exam 2	<ul style="list-style-type: none"> ○ Preview Chapter 8 	Review Quiz 2
	June 20	Chapter 8	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapter 8 ○ Preview Chapter 9 	
	June 21	Chapter 9	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapters 8 and 9 ○ Preview Chapter 10 	
	June 22	Chapter 10	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapters 8, 9, 10 	
	<i>June 23-24</i>	<i>Weekend</i>	<i>Prepare for Exam 3</i>	
	June 25	Review Quiz 3	<ul style="list-style-type: none"> ○ Prepare for Exam 3 ○ Finish Review Quiz 	HW Chs. 8-10
	June 26	Exam 3	<ul style="list-style-type: none"> ○ Preview Chapter 12 	Review Quiz 3

✓	Date	Topics Covered	Recommendations	Items Due
	June 27	Chapter 12	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapter 12 ○ Preview Chapter 13 	
	June 28	Chapter 13	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapters 12, 13 ○ Preview Chapter 14 	
	June 29	Chapter 14	<ul style="list-style-type: none"> ○ Work on HW ○ Study Chapters 12, 13, 14 	
	<i>Jun 30- Jul 1</i>	<i>Weekend</i>	<i>Prepare for Exam 3</i>	
	July 2	Review Quiz 4	<ul style="list-style-type: none"> ○ Prepare for Exam 4 ○ Finish Review Quiz 	HW Chs. 12-14
	July 3	Exam 4		Review Quiz 4

COURSE TOPICS

Overview of Corporate Finance and Financial Statements

Chapter 1: Introduction to Corporate Finance

Chapter 2: Financial Statements, Taxes, and Cash Flow

Chapter 3: Working with Financial Statements

Future Cash Flows

Chapter 5: Introduction to Valuation: The Time Value of Money

Chapter 6: Discounted Cash Flow Valuation

Chapter 7: Interest Rates and Bond Valuation

Valuation and Budgeting

Chapter 8: Stock Valuation

Chapter 9: Net Present Value and Other Investment Criteria

Chapter 10: Making Capital Investment Decisions

Risk, Return, and Cost of Capital

Chapter 12: Some Lessons from Capital Market History

Chapter 13: Return, Risk, and the Security Market Line

Chapter 14: Cost of Capital