**Georgetown University**

***McDonough School of Business***

**FINC-211**

**BUSINESS FINANCIAL MANAGEMENT**

**Summer 2016 – Session 1**

### *FINC-211-10 Mondays, Tuesdays, Wednesdays, Thursdays; 1:00 - 3:00 p.m.;*

### *June 6-July 7, 2016; Room 120*

**Professor**: Lynn Doran, Ph.D.

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**Office Hours:** Mondays & Wednesdays, 3:00pm – 4:00pm

Or immediately after class or by appointment

**Course Description and Objectives:**

This course is designed as an introduction to the fundamentals of corporate finance for undergraduate students in all business disciplines. A variety of topics will be included in the course, with special emphasis on capital budgeting decisions (selecting projects that maximize the value of the firm) and financing decisions (raising funds at the lowest possible cost to finance those projects).

Objectives of the course include developing skill in recognizing problems in which financial theory is applicable and developing competencies in employing financial analysis for making financial decisions in business organizations and in society at large. For non-finance majors, the course serves as an introduction to the financial basis of corporate decisions and, through analysis of financial issues facing organizations, enables students to become more effective members of management teams. For finance majors, the course serves as a basis for more detailed study of topics and provides the prerequisites for success in future finance classes and finance positions. Constant innovation in the finance industry requires practitioners to be lifelong learners and this course provides the foundation for understanding the continually evolving world of finance practice.

**Course Materials**:

Ross, Westerfield, and Jordan, *Fundamentals of Corporate Finance*, Eleventh edition, Irwin/McGraw-Hill, 2016. (Earlier editions are acceptable.)

*Lecture Notes* – Distributed in class. A 3-ring notebook for class materials is recommended.

A business calculator – Recommended models (that will be demonstrated in class) are the Texas Instrument BAII Plus calculator (approx. $35) or the BAII Plus Professional (approx. $70).

**Course Requirements:**

Class attendance and participation are expected. Please arrive early for class to allow yourself time to get settled so we can begin class promptly. Laptop computers are not needed during lectures and tend to distract both the user and other students in the class. As such, **my policy is that laptop computers should be closed at all times**. Also, please turn off cell phones and other electronic devices during class.

You are expected to complete assigned readings before class and be prepared to discuss them in class. You should regularly read the business press, especially *The Wall Street Journal* or *Financial Times*. We will discuss current events in class as appropriate.

Course materials will be posted on Blackboard. Announcements about the class will also be sent via email to the address you provide. Please check that email address regularly.

The course outline is tentative, but the dates of the quizzes and final exam are set. Please mark your calendar now, since **no makeup quizzes or final exam will be given**. Don’t be concerned if we get a little ahead or behind the schedule. If changes to the schedule become necessary, the changes will be announced in class.

Your grade in this class will be based on your performance on quizzes, a comprehensive final exam, problem sets, group projects, and class participation.

**Quizzes**

Four quizzes will be given during the semester. The lowest score will be dropped and the other three scores will be averaged. The dates of the quizzes are listed on the Course Outline. No make-up quizzes will be given. If a quiz is missed, a zero will be recorded and that will be the quiz grade that is dropped.

Quizzes will consist primarily of problems plus short essay answer and/or fill-in-the-blank questions. Quiz questions may be based on class discussions of current business topics as well as the regular lecture material. The quizzes are closed-book, but needed formulas will be provided.

**Final Exam**

The final exam will be held during the regular class time, 1**:00-3:00 p.m. on Thursday, July 7**. It will **not** be possible to make up the final exam at a time other than the scheduled exam period.

The final exam is comprehensive. It may cover any topic discussed throughout the course. No formulas will be provided for the final exam. However, you are allowed one **single-sided** sheet of notes to help organize your thoughts for the final exam. This sheet of notes may contain formulas or anything else you wish. Each student is encouraged to prepare his/her own study sheet.

**Problem Sets**

The textbook includes questions and problems for each assigned chapter listed on the course outline. Although these questions and problems will not be collected or graded, you are responsible for completing them. Doing problems is essential to learning finance. Questions and problems similar to those in the textbook may appear on the quizzes and/or final exam. Answer keys for these questions and problems are posted on Blackboard.

There are six problem sets that will be collected and graded. The assignments will be posted on Blackboard. These problem sets are to be completed **individually** and will be graded on a scale of 1-10, with 10 being “outstanding.”

For these individual assignments, students are permitted to seek guidance from other students in understanding the concepts underlying the assignment. However, each student is to work **independently** in the actual preparation of the answers to be submitted.

Assigned problem sets will be specified to be done “by hand” (using a business calculator) or using Excel. Please follow these guidelines for problem sets:

* Page layout should be in “portrait” (not “landscape”) format.
* For problem sets to be done by hand, answers may either be typed or written by hand. If typed, use a font size that is easy to read (at least 12 point). If written by hand, please print neatly. Any answers that cannot be easily read will be marked as incorrect.
* For problems, circle your final answer to each question.
* Do **not** attach a cover page.
* Put your name on the **top right of your first page**.

Due dates for the problem sets are specified on the course outline. Assignments may be turned in early, but will be penalized if turned in late. Assignments will be collected at the **beginning** of class on the day they are due. Assignments turned in after that time will be assessed a 1-point (i.e., 10 percent) deduction for being late. At the discretion of the professor, assignments turned in after the class discussion of the assignment may **not be accepted**. Missing class is **not** an acceptable excuse for missing an assignment due date.

**Group Projects**

There are three projects on which students will work in groups. The projects will require the application of many of the principles discussed during the course. The project assignments will be posted on Blackboard.

Groups may consist of no more than three students. You may choose the members of your group, but the group members are to remain the same throughout the semester. Decide on a name for your group; names should be imaginative and appropriate for a consulting firm. A list of your group’s members and your group’s name is to be submitted in class on **June 8**. At the end of the semester, students will be asked to evaluate themselves and other members of their group in terms of effort, participation, and contribution in completing the group projects. This evaluation will be used in determining class participation grades and final course grades.

Group projects are to be completed using Excel. You must submit your Excel spreadsheets to Professor Doran by email. All your work must be in one single file but you may use multiple worksheets if appropriate. **In the subject line of the email you must put BFM followed by your group’s name.** The time stamp of the email will be used to determine if your project was submitted on time. Your email must be received by Professor Doran by 12:45 p.m. on the due date.

You must also turn in a hard copy of the project by the beginning of class on the due date. A single report, with the signature of each group member, is to be submitted for each assignment. The cover page for the projects will be posted on Blackboard. Discussion of the projects across groups is permitted; however, each group must work **independently** in the actual preparation of the answers/spreadsheets to be submitted for grading. By signing your name on the group report, you attest that you have contributed to the preparation of the report and that your group has worked independently in the preparation of the written answers and spreadsheets being submitted.

Please follow these guidelines for the hard copy of group projects:

* Page layout should be in “portrait” (not “landscape”) format.
* Use a font size that is easy to read (at least 12 point). Any answers that cannot be easily read will be marked as incorrect.
* Include a cover page (posted on Blackboard).

Project reports will be graded on a scale of 1-10, with 10 being “outstanding.” Fulfillment of requirements, numerical solutions, spreadsheets, content and clarity of essay answers, attention to detail, and overall professionalism will all be considered in determining grades on projects.

Due dates for the group projects are specified on the course outline. Project reports may be turned in early, but will be penalized if turned in late. Project reports will be collected at the **beginning** of class on the day they are due. Project reports turned in after that time will be assessed a 1-point (i.e., 10 percent) deduction for being late. At the discretion of the professor, reports turned in after class discussion of the project may **not be accepted**. Missing class is **not** an acceptable excuse for missing a project due date.

**Class Participation**

Students will be graded on overall participation throughout the course, including class attendance, class discussion, in-class problem solving, and group participation. Paying attention during lectures and doing practice problems in class is more important than speaking in class. For class discussions, remember that quality is more important than quantity! Participation requires that you keep up with the readings, do sample problems, and ask questions when you are confused. Participation can also be demonstrated by bringing unique ideas to the attention of Professor Doran through meetings, email, or relevant current events articles.

There may be times when missing class is unavoidable, due to illness, etc. You do not need to notify Professor Doran if you will miss class. You will not be penalized for missing a class or two, but it will be difficult to obtain a good grade for class participation if you rarely attend class. Also, coming to class late and/or taking breaks during class, on a consistent basis, will adversely affect your class participation grade. Please inform Professor Doran of any extenuating circumstances that may affect your class attendance or participation.

Participation will be graded on a scale of 1-10, with 10 being “outstanding.” In past semesters, only a few students in each class have received participation grades higher than 9. It is also common for students who rarely attend class to receive participation scores as low as 2 or 3.

At the end of the semester, students will be asked to evaluate their own class participation. You may want to keep a record of your participation and classes missed. This self-evaluation will be considered by Professor Doran in determining class participation grades.

**Finance Area Standard Grading Policy**

The average GPA for all students in FINC 211 taught by a given professor in any semester will not be higher than 3.0 and the percentage of grades in the A/A- range will not be above 35% when averaged over all sections of the course taught by that professor during that semester.

**Grading:**

When determining grades, course requirements will be weighted as follows:

Quizzes 30 percent of grade

Final Examination 25 percent of grade

Problem Sets 25 percent of grade

Group Projects 15 percent of grade

Class Participation 5 percent of grade

Your grade in the class will be based on your overall percent average, in accordance with the Finance Area’s Standard Grading Policy. Based on past semesters, the following is a **rough guideline** as to how grades will be determined:

95-100% A 83-84% B- 70-71% D+

92-94% A- 80-81% C+ 65-69% D

90-91% B+ 75-79% C <65% F

85-89% B 72-74% C-

Failure to complete one or more requirements of the course will result in a grade of “F” (or “I” if the student officially requests and is approved for an incomplete grade).

**Academic Integrity:**

Students are expected to adhere to the highest standards of academic integrity. It is your responsibility to know the Honor Code and what constitutes a violation. Information about Georgetown’s Honor System can be obtained at gervaseprograms.georgetown.edu/honor.

You should re-familiarize yourself with the Honor Code by reviewing the Honor Council Document “What is Plagiarism?” (gervaseprograms.georgetown.edu/honor/system/53377.html).

Please be aware that professors are **obligated** to report any suspected violations of the Honor System to the Honor Council. The following notes concerning the Honor Code apply to this class:

1. Working together on practice problems and studying together for quizzes and the final exam are acceptable and encouraged. Collaboration on the construction of your study sheet for the final exam is also acceptable although each student is encouraged to prepare his/her own study sheet.

2. On problem sets to be turned in for a grade, students may discuss the concepts underlying the assignment. However, no collaboration in the actual preparation of answer sheets or spreadsheets is permitted.

3. Cheating on quizzes and exams (in whatever form) is expressly prohibited by the Code.

4. On group projects, collaboration among group members is required and discussion of the projects across groups is also permitted. However, each group must work independently in the actual preparation of written answers and spreadsheets to be submitted for grading. Sharing of spreadsheets or written answers across groups is prohibited and is a violation of the Code.

5. For the group projects, if you gather data from any source (web, library, etc.), you must properly cite your sources.

**Tips for Success in BFM:**

1. Before each lecture, read the chapter on that topic. Don’t be concerned if you don’t fully understand the material yet.

2. During class, work hard! Keep up with the lecture. Solve the problems as we go along.

3. After class, read the chapter again. This time, work through the examples in the textbook. Answer the questions and do the problems at the end of the chapter. (Note: Answers to the textbook questions are posted on Blackboard.) Study your lecture notes and work through all the examples in your notes. If there are “Test Yourself” problems at the end of your lecture notes, do them! (Note: Answers to the Examples and “Test Yourself” problems in the lecture notes will be posted under “Lectures” on Blackboard.)

4. Do as many practice problems as possible. The problems at the end of each assigned chapter are more difficult than the examples in your lecture notes. Do as many of these textbook problems as possible. (Note: Solutions to textbook problems are posted on Blackboard.) Do not look at the solution for a problem until after you have worked through it and have a final answer. There is no easy way to learn Finance - - you have to do the problems!

**TENTATIVE COURSE OUTLINE**

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| **Date** | **Topics &** **Readings[[1]](#footnote-1)** | **Assignments[[2]](#footnote-2)** |
| M-Jun 6 | ***Introduction to Finance***  RWJ - Chapter 1  ***Accounting Review***  RWJ - Chapter 2 |  |
| T-Jun 7 | ***Financial Ratios***  RWJ - Chapter 3 |  |
| W-Jun 8 | ***Time Value of Money***  RWJ - Chapter 5 | **Problem Set #1 Due**  **Group Names Due** |
| Th-Jun 9 | ***Discounted Cash Flow Valuation***  RWJ - Chapter 6 | **Problem Set #2 Due** |
| M-Jun 13 | **QUIZ #1**  ***Bonds and Bond Valuation***  RWJ - Chapter 7 |  |
| T-Jun 14 | ***Bonds and Bond Valuation*** (continued) | **Project #1 Due** |
| W-Jun 15 | ***Stocks and Stock Valuation***  RWJ - Chapter 8 | **Problem Set #3 Due** |
| Th-Jun 16 | ***Stocks and Stock Valuation***(continued) |  |
| M-Jun 20 | **QUIZ #2**  ***Capital Budgeting***  RWJ - Chapter 9 |  |
| T-Jun 21 | ***Capital Budgeting*** *(continued)*  ***Project Cash Flows***  RWJ - Chapter 10 |  |
| W-Jun 22 | ***Project Cash Flows*** *(continued)* | **Project #2 Due** |
| Th-Jun 23 | ***Capital Market History***  RWJ - Chapter 12 | **Problem Set #4 Due** |
| M-Jun 27 | **QUIZ #3**  ***Risk and Return***  RWJ - Chapter 13 |  |
| T-Jun 28 | ***Cost of Capital***  RWJ - Chapter 14 | **Problem Set #5 Due** |
| W-Jun 29 | ***Capital Structure***  RWJ - Chapter 16 |  |
| Th-Jun 30 | ***Capital Structure*** *(continued)* | **Problem Set #6 Due** |
| M-July 4 | ***No Class – Happy Independence Day!*** |  |
| T-Jul 5 | **QUIZ #4**  ***Raising Capital***  RWJ – Chapter 15 | **Project #3 Due** |
| W-Jul 6 | ***Raising Capital*** *(continued)* |  |
| Th-Jul 7 | **FINAL EXAM** |  |

1. “RWJ” refers to the Ross, Westerfield, Jordan textbook. [↑](#footnote-ref-1)
2. Problem set assignments will be posted on Blackboard approximately 2-3 days before they are due. [↑](#footnote-ref-2)