



Intermediate Finance for Business Administration

FINAN 5000 Online – Fall 2018

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Office Hours: 3 Thursdays 7:00 p.m.–7:50 p.m. via Zoom (see Schedule for dates)

Required Text: Ross, Westerfield, Jordan: Fundamentals of Corporate Finance, 11th Edition, McGraw-Hill (ISBN 13: 978-0077861704 / ISBN 10: 0077861701)

Course Description

The course builds on the material covered in FINAN 3040/3050. You discover how managers maximize shareholders' wealth by choosing optimal investments and capital structure (financing) for the firm. You learn how to build pro-forma projections of future cash flows and how to value a business. We explore bonds and interest rates in more detail and learn the workings of futures and options.

Finance is about valuing things. To value a stock, you start with the company's strategy, interpret the accounting statements, and determine the free cash flow the company will produce. To do it well, you have to comfortably synthesize accounting and finance knowledge. After reviewing discounting techniques, we learn how to create pro-forma statements for an ongoing concern. We use as the discount rate the opportunity cost of capital to arrive at the value of the firm. The cost of capital is appropriately adjusted for risk. We learn the theory behind capital structure and dividend policy. We also learn how to look at the risk of fixed income securities and derivatives. We explore the interest rate theory and the option valuation methods.

This class has a substantial quantitative component. Conscientious self-study and homework are critical to your understanding of the material as new concepts and mathematics build on previous ones.

Deliverables and Grading Rubric

12 Weekly Homework Assignments due Thursday at 7pm	24%
12 Weekly Quizzes due Saturday at Noon	16%
1 Midterm Pre-Test (limited time to take)	9%
1 Midterm Exam (limited time, proctored, schedule during exam window)	21%
1 Final Pre-Test (limited time to take)	9%
1 Final Exam (non-cum, limited time, proctored, schedule during exam)	21%

Missed deadlines = 0 pts and you cannot review later. Individual assignments are not curved. Course grades are curved at the end to a B average, roughly as follows: 85-100 As, 70-85 Bs, 55-70 Cs. Read the important rules below.

Reading Assignments

The textbook will be your primary resource for learning the course material. Diligent reading and studying of chapter concepts is imperative to success in the course. Homework assignments and quiz questions will all draw heavily from the text.

Lecture Videos

Video lectures are designed to help you better understand material covered during the reading. They are by no means a substitute for reading. Many lecture videos cover some end-of-chapter problems as extra practice of key concepts and valuation techniques. When watching these practice problems, play the question, work through the detail and answer the question yourself first, only then listen to my answer.

Homework Assignments

Homework is designed to drive key points and give you opportunities to apply what you have learned from the text and videos. As you work on your homework, you may want to go back to lecture and videos, but make sure that you first challenge yourself to try to solve the problems in their entirety. Late homework is not accepted. Answers, but no detailed solutions, are released after the homework closes.

Webinars

Three webinars will be held on three Thursdays at 7:00 p.m. (MST). Webinars will focus on preparation for the exams so all reading, video and homework assignments need to be completed prior to the webinar.

Canvas Quizzes

Quizzes are designed to help us assess your understanding of the week's material. The quiz opens when the homework closes. You have until Saturday noon to complete the quiz. Late quizzes are not accepted. Answers, but no detailed solutions, are released after the quiz closes.

Discussion Boards (Q & A)

We have one Q&A Discussion Board for the class. As you work on the homework, post your questions on the Q&A Board. All students can post their approaches, hints, and help. I may too by Thursday evening.

Midterm and Final Exams

Exams in this class are not simple concept checking tests, but proficiency exams, much like a driving test. They check if you are able to apply all the concepts in real-life situations and determine the complete solution to a problem. The format is a fill-in-the-blanks document where you provide partial and final numerical or word answers, supplemented by multiple choice questions and longer problems. The exams are based on Canvas homework and quizzes. The midterm is 90 min; the non-cumulative final is 105 min. Each is open for 4 days and must be scheduled in advance with a proctor. You are not allowed any materials; you are allowed a calculator or a blank Excel for calculations only, and a blank piece of paper.

Midterm and Final Exam Pre-Tests

Before each exam you have two days (Sun-Mon) to take a pre-test (10% of the grade) to assess how well prepared you are for the test. Once you start, your pre-test must be completed within 90 or 105 minutes. It. No solution to the pretest is available, but the pre-test contains problems like those on the actual test, so it is a perfect preview of what you need to know. You take the pre-test at home; you are allowed all course materials, but you must do it by yourself. Plan the exact timing of taking it well in advance. No re-takes.

How to Study to Succeed

You must develop the ability to translate the corporate finance context into mathematical relationships, similar to setting up an algebraic dependence in a math text problem, and drawing on your accounting background. As applied math can only be mastered through conscientious practice, not in one evening the day before the exam, at a minimum you should follow these steps each week:

1. Read the assigned chapter(s) and watch the lecture videos.
2. Watch the problem videos, pausing after the question, and working through problem yourself, before you continue to watch the discussion of the solution.
3. Print out the homework pdf. Work on it on paper with a calculator. Go back to the videos or book if you have to. Only when you are completely done, enter the answers on Canvas by Thursday at 6:59 PM. If you found things unclear, post questions on the Q&A Discussion Board.
4. Complete the quiz in Canvas by Saturday noon. Go back to the book and videos if you missed anything on the homework.
5. Study for the pre-tests as if for real tests. They count toward your grade and they will show you what you missed. While the exams are not cumulative, the material is.

Important Rules of the Course

1. Please do not assume that this being an on-line class it will be easy. While the first two modules are an in-depth review of what you should have learned in FINAN 3040 (deliverables on the same date), there is a lot of new thorny material later. The tests are hard, fill-in-the-blank finance tests, not simple keyword searches. No cheat sheets. Calculators or blank Excel only.
2. Reading the book is critical. Please buy the specified textbook (previous edition probably ok) and study it! The videos and the textbook do not always overlap or cover topics at different depths. To be able to do homework you need BOTH the book and the videos.
3. The course has a strict weekly opening-closing schedule. Submit assignments ahead of time. There will not be ANY exceptions for missed deadlines (work schedule changes, unexpected internet problems, confusion about time). **NONE**. We have a set grading/answer release schedule to follow; I have no ability to reopen anything (thus I will not answer emails asking for that). Also, if you do not submit a homework or a quiz, the system will **not allow you** to see the questions later when you prepare for the test.
4. We have three webinars. I will have them recorded, but you should attend them unless you absolutely cannot. You should prepare for the tests before the webinars on your own, then ask questions. The webinars are not lectures; I will answer the questions asked by those who attend.
5. We have a Q&A Discussion board. As you work on homework, you can post questions there. Your classmates are allowed and encouraged to help point you in the right direction.
6. You need to schedule your two tests during the 4-day exam windows. You need to sign up in advance to have them proctored electronically (for a \$fee) or at the U testing center. Schedule early - time slots are limited and you may not get your preferred one. Then do not miss the time! The Schedule Exams tab in Canvas is on the left.

7. The success in the class is driven by your own self-study and self-motivation each and every week. The material builds on itself and you will not be able to make things up later.
8. Accuracy and the format of the answers. You will be marked wrong if your answer is inaccurate or in the wrong format. Percentages have to be numbers with minimum 2 decimals, e.g. 6.7845% is entered as 6.7845 not 0.067845. In finance, it is not enough to know the sequence of steps, it is critical to not round in the intermediate calculations to get the final answer accurate to at least 1 cent. Accounts are settled in dollars and cents. In particular, be careful not to round interest rate inputs (whether annual or monthly). Example: A seemingly innocent rounding assumption on the interest rate from 3 decimals to 2:

PV=-\$100,000, n=40, PMT=0, i=5.686% solve for FV= 913,478.74

PV=-\$100,000, n=40, PMT=0, i=5.69% solve for FV= 914,862.69

The FV is different by almost \$1400. There is not a general rule as to how many decimals to round to. In finance the only rule is: the final answer must be accurate to 1 cent.

9. One final happy note. Individual assignments are not curved and the averages may be low. However, the class will be curved at the end with C-s starting in the low 50s. Review the Grading guidelines above.

****This is an online class with limited help resources requiring a lot self-studying****

Americans with Disabilities Act (ADA) Statement

The University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in the class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations. All written information in the course can be made available in alternative format with prior notification to the Center for Disability Services.

Attendance

The University expects regular attendance at all class meetings. Instructors must communicate any particular attendance requirements of the course to students in writing on or before the first class meeting. Students are responsible for acquainting themselves with and satisfying the entire range of academic objectives and requirements as defined by the instructor." (PM, Policy 6-100III-O)

Eccles School of Business – Statement on Use of Electronic Devices in Exams

Use of any and all electronic devices (e.g. pagers, cell phones, language translators, laptops, tablets, calculators, etc.) is forbidden during an exam unless otherwise specifically authorized by the instructor. A student who uses an unauthorized device may be subject to penalties for academic misconduct.

Course Schedule

See Canvas for Due Dates and Times

WEEK	TOPIC(S)	READING & VIDEO ASSIGNMENTS	HOMEWORK, WEBINARS & QUIZZES
1	Course Details The Corporation and Its Business Environment	Chapter 1 Week 1 Videos	Webinar
			Week 1 Homework 1
			Week 1 Canvas Quiz 1
2	The Time Value of Money: Present Value Discounting Techniques	Chapters 5 & 6 Week 2 Videos	Week 2 Homework 2
			Week 2 Canvas Quiz 2
3	Valuation of Stocks using Dividend Discounting	Chapter 8 Week 3 Videos	Week 3 Homework 3
			Week 3 Canvas Quiz 3
4	The Yield Curve and the Theory of Interest Rates	Chapter 7 Week 4 Videos	Week 4 Homework 4
			Week 4 Canvas Quiz 4
5	Accounting and Finance: Income vs. Cash Flow	Chapter 2 Week 6 Videos	Webinar
			Week 5 Homework 5
			Week 5 Canvas Quiz 5
6	Pre-test & Midterm Exam		
7	Pro-Forma Statements and External Financing Needs	Chapter 4 Week 7 Videos	Week 7 Homework 6
			Week 7 Canvas Quiz 6
8	Cost of Equity, Cost of Debt, WACC, Leverage	Chs. 13.4, 8 & 14 Week 9 Videos	Week 8 Homework 7
			Week 8 Canvas Quiz 7
9	Free Cash Flow Valuation of Businesses	Wikipedia Chs. 2.4, 14.6, 8.1 Week 10 Videos	Week 9 Homework 8
			Week 9 Canvas Quiz 8
10	Derivative Markets: Forwards and Futures	Chapter 23.1-4 Week 12 Videos	Week 10 Homework 9
			Week 10 Canvas Quiz 9
11	Derivatives Markets: Option Valuation	Chapter 24.1-5 Chapter 25.1-2 Week 13 Videos	Webinar
			Week 11 Homework 10
			Week 11 Canvas Quiz 10
12	Pre-test & Final Exam		

Eccles School of Business – Statement of Professional and Ethical Conduct

Because of the importance of professional and ethical behavior in business, and its emphasis in our program, professional or academic misconduct is not tolerated in the David Eccles School of Business. Students are expected to adhere to the standards of behavior outlined in the University of Utah Code of Student Rights and Responsibilities (Policy 6-400). Students engaging in behavioral misconduct could be subject to suspension or dismissal from the University. Students involved in any form of academic misconduct, including but not limited to cheating on tests, plagiarism and collusion may, at the instructor's discretion, receive a failing grade in the course, examination, or academic assignment. In addition to or instead of this sanction, the instructor may refer the case to the Student Behavior Committee for hearing. If the instructor chooses not to do so, the Associate Dean for Academic Affairs, after appropriate investigation, may do so along with a recommendation to dismiss the student from the Business School. If, after hearing the evidence, the Committee determines that the student in question is guilty of the misconduct charged, the Committee may impose sanctions in addition to those taken by the professor. If the academic dishonesty is not proven, the instructor must rescind any sanctions imposed and will be required to evaluate the student's performance with the assumption that there has been no misconduct. The School will treat the student likewise. If a student suspects another student of academic misconduct, he/she should refer the incident to the instructor, the appropriate department, the Associate Dean for Academic Affairs, or the Student Behavior Committee, administered by the Associate Dean of Students, 270 Union.

Eccles School of Business – Statement of Grading Policy

Grading provides feedback to students on how well they have mastered the content and learning objectives of a particular course to allow students to capitalize on strengths and work to improve weaknesses through future courses of action. The DESB grading policy is intended to ensure grades offer reliable feedback regarding student performance, and to ensure fairness and consistency across the School. The faculty member is responsible for arriving at a grade for each student that the faculty member believes appropriately reflects the student's mastery of the course material and learning objectives. The faculty member will then consider the class' overall performance in terms of School guidelines. These guidelines are provided to ensure that grading, on average for the School as a whole, is sustained at a reasonable level over time. The guidelines are as follows:

<u>COURSE LEVEL</u>	<u>GUIDELINE</u>
1000-2000	2.4-2.8
3000-3990	2.6-3.0
4000-5990	2.8-3.2
6000-6990	3.1-3.5

If students have a concern about their grade in a particular course, they should consider whether it reflects an accurate evaluation of their mastery of the course material and learning objectives, in terms of the above descriptors. If they need clarification of the instructor's evaluation, they should meet with the instructor to obtain additional information and feedback. If after doing so, they believe their grade was arrived at in an inappropriate manner, they may pursue an appeal through the School's appeals process as described in Section 5.15 of the University of Utah Code of Student Rights and Responsibilities (Policy 6-400).

Student and Faculty Responsibilities

All students are expected to maintain professional behavior in the classroom setting, according to the Student Code, spelled out in the Student Handbook. Students have specific rights in the classroom as detailed in Article III of the Code. The Code also specifies proscribed conduct (Article XI) that involves cheating on tests, plagiarism, and/or collusion, as well as fraud, theft, etc. Students should read the Code carefully and know they are responsible for the content. According to Faculty Rules and Regulations, it is the faculty responsibility to enforce responsible classroom behaviors, and I will do so, beginning with verbal warnings and progressing to dismissal from class and a failing grade. Students have the right to appeal such action to the Student Behavior Committee.