

University of Georgia, Terry College of Business Department of Banking and Finance

FINA 3000: Financial Management: *Fall 2007*

TTh, 8:00am-9:15am, SLC 148

Professor James S. Linck

452 Brooks Hall, jlinck@terry.uga.edu, ph: (706) 542-3646

Office Hours: Tentatively Tues/Wed: 3:00-4:30pm, and by appointment.

Virtual Office Hours (online): By appointment.

[\[Academic Honesty\]](#) [\[Office Hours\]](#) [\[E-mail\]](#) [\[Objectives\]](#) [\[Class Materials\]](#) [\[Assignments/Grades\]](#) [\[Technology/Communication\]](#) [\[Course Topics\]](#) [\[Tentative Schedule\]](#)

Academic Honesty

Honesty is a fundamental principle of academic, business and community life. Students are expected to demonstrate the highest degree of honesty in performing their assigned work. Matters that are unclear should be discussed with the professor. Students are expected to adhere to UGA's Academic Honesty Policy, which can be viewed on the web [here](#).

Office Hours

I will be in my UGA office during the regular office hours listed above unless noted/posted otherwise. We may also schedule virtual (online) office hours as necessary (general office hours, group consultations, etc.). While drop-ins are also welcome, it's safer to schedule an appointment to ensure I will be in my office when you need me. In addition, you can contact me at any time via email or phone. I respond to e-mails promptly.

E-mail

My e-mail is protected by a spam filter. It is not perfect. While this has only rarely caused problems, if I do not respond to an e-mail for which you expected a response, please give me a call or try it again. In general, I find e-mail a very efficient communication tool. Indeed, I'm typically better at monitoring my e-mail than my voice mail, particularly when I travel. However, lengthy *discussions* are generally best handled face to face. E-mail is better suited for short, specific questions and comments. Note: Please always include a clear subject in all your e-mails, and also keep our prior e-mail conversation when replying.

Course Description/Objectives/Structure

This course is designed to provide students with an introduction to the field of finance. Much of the

course focuses on the responsibilities, concerns and methods of analysis employed by corporate financial managers as well on the role of financial markets and institutions in our economy. Broadly speaking, we focus on two fundamental decisions: 1. What projects should the firm undertake (the capital budgeting decision), and 2. How should the firm finance those projects (The capital structure decision). This course serves as the foundation for more detailed discussions of specialized areas in finance.

The course will be composed of lectures, class discussion and problem solving, including some cases. Students are encouraged to introduce current (relevant) topics that have been gathered through your regular reading of the business press such as the [Wall Street Journal](#), and relevant material from your work experiences. We will incorporate and stress the practical application of these topics to real-life issues, without sacrificing the theoretical rigor that will enable you to better apply what you've learned in a variety of situations.

The pace of the course is fast and the material is challenging, so it is important that you keep up. Most find that working through problems is the best way to master the material. With that in mind, I assign quizzes and recommend various problems/analyses throughout the course -- you will have at least one graded assignment virtually every week. Work through as much as you can: the more you do, the more you will get out of the course. In addition, I recommend that you read through the relevant material and attempt the related problems/analyses *before* coming to class - i.e., attend classes prepared and *do not fall behind*. If you dig a deep enough hole, you may find it difficult to climb out.

For more details on the course's content, please see the [Tentative Schedule](#) and the course [web site](#).

Text / Class Materials

- *Text*: Berk and DeMarzo, *Corporate Finance plus MyFinanceLab Student Access Kit - ISBN-10: 0321415116*, published by [Pearson Addison-Wesley](#). It can be purchased from the bookstore or online at places such as [Amazon.com](#) or [eCampus.com](#), among other outlets. This book's MyFinanceLab component will be an integral part of this book's usefulness, which can be accessed here: <http://myfinancelab.com>. You get free access via a code provided with a new text purchase, or you can buy access to MyFinanceLab directly by following the register and purchase links at the MyFinanceLab web site. In addition, Pearson provides a short document introducing MyFinanceLab that you should read at the beginning of the course. You can access it here [[Word document](#)].
- The *course web site* is a [WebCT](#) site. Login at <https://webct.uga.edu> and go to "FINA3000 (Linck)". Registered students should be granted access at least a couple days prior to first day of class. Please contact the [Terry help desk](#) (706-542-6799) or [me](#) if you have trouble accessing WebCT or the course web site (after it has been made available).
- *Coursepacks*. You can get the course packets (CP) from www.study.net (see [instructions](#)). There are two coursepacks: one contains cases and is required; the second contains lecture notes and is

optional. The study.net "course password" (i.e., not your user password, which you create yourself) is posted to the course's [WebCT web site](#) ("Course Material"). **Please Note:** All the material in the optional coursepack is posted to the course web site (in "Assignments"). I made it available in study.net for those who want to purchase a printed packet instead of printing it all yourself (it's a couple hundred pages). The lecture notes contained in the optional CP do not represent self-contained lectures. Rather, they are designed to reduce the amount of rote copying necessary during class so we can devote more time to class discussion and working through problems. For example, I purposely leave out many solutions so you/we can work through them without the crutch of seeing the solution ahead of time. As necessary throughout the term, I will post supplements to these lecture notes to the course web site ("Lectures").

- I strongly recommend that you purchase, and learn how to use, a *financial calculator* at the beginning of this course. Although most any financial calculator will be fine, I use the BAI-Plus, and thus, will occasionally use that one during class.
- It is imperative that you become comfortable using spreadsheets (the most popular being Microsoft Excel) during the course. Most, if not all, of your in-class exams and assignments will be on the computer, and many will essentially require that you use Excel to some degree (even if not required, it will likely make the exam significantly easier). Thus, it is necessary that you learn how to use Excel during the course.
- ==> *Caution:* While the calculator and Excel are essential *tools*, do not rely on them too much, particularly in the early part of the course. Make sure you understand the problem/setup before plugging numbers into the calculator. You simply won't be able to solve more complicated problems if you don't do this, and many problems will be setup such that you cannot solve them without running through the proper setup.
- *Recommended:* Regular reading of a financial/business news periodical such as the [Wall Street Journal](#). This will be an important source of examples for class discussions. Indeed, you are strongly encouraged to bring in examples from your reading of the popular press.

Assignments and Grading

Deliverables and their allotted proportions

Quizzes	10%
Problem Sets, Cases and Other Assignments	10%
In Term Exams	50%
Final Exam	30%
Extra Credit - Up to 10%, which will proportionately reduce the weight on each of the above categories	

Teams. I will assign each student to a team and post those team assignments to "*Course Materials*". You will work with this team on all team assignments throughout the term. I will assign teams by the end of the second week of classes (after drop/add has cleared up).

Quizzes. There will be several quizzes throughout the term. Most will be online, administered directly at the course web site. You will be allowed to take some quizzes more than once. The quizzes are intended to encourage you to keep up with the weekly course material, review basic concepts and provide regular feedback on how well you are grasping the material. Generally, quiz questions will be significantly less involved (shorter, simpler) than the exams. View them as a learning tool. Online quizzes are open book, open notes, open Internet, but are to be done individually. *For grading purposes, I will drop your two lowest quiz scores.* There will be no make-up quizzes. If you miss a quiz, it will be one of your drops.

Problem Sets, Cases and Other Assignments. Each team will complete several other assignments during the term. Each of these assignments will have its own set of requirements, which I will post to the course web site at least one week before the assignment is due. Complete all these assignments with your team, and hand in only one copy per team. Upload an electronic copy (including any spreadsheet exhibits) to the related assignment at the course web site. Use the naming convention "TeamName_CaseName" (i.e., team05_problemset1.doc) in your filename when uploading files to the web site, and be sure to include the team number and all team member names within the file itself (top of page one). Please print your electronic documents prior to handing in such that they are appropriately paginated for immediate printing. *All problem sets and case write-ups (electronic version) are due by 5pm the day before the assignment is to be discussed in class. You won't be able to upload them after that point. You can bring the hard copy with you to class on the day it is due.* I will also solicit groups to volunteer for presenting in class, and will consider these presentations in determining your final grade on the respective assignment.

Exams. There will be at least three exams during the course, including the final. Assuming we can secure an appropriate classroom, then all exams will be administered via a computer. This means you will be allowed to use your calculator, Excel and one one 8½ x 11-inch "cheat-sheet" (you'll have the same except Excel for exams not on the computer). By the time we reach the *Final Exam*, you should have the tools in place to attack difficult problems, applying what you have learned throughout the course. The final will be structured with that in mind. Part or all of the final exam will be in Excel. Thus, use this as an incentive to get familiar with Excel during the term (you should use it on a regular basis). See the course web site for further details (including questions and answers from old exams). There will be no make-up exams. If you have to miss an exam for an approved reason (there are very few), and have all appropriate documentation to support this approved reason such that you are excused from the exam, then the weight of the missed exam will be added to the final.

While there are no *Class Participation* points noted above, I will take attendance on random days throughout the term, which can affect your grade. You will be allowed one excused (fully documented) absence. After that, each day you miss will cost you one percentage point of your final score (i.e., if your overall class average at the end of the course is 90% and you miss one day, your final score will be 89%).

Extra Credit. Each student will have the opportunity to earn extra credit points by solving problems in MyFinanceLab during the term. The specific details will be announced at a later date; however, suffice

in to say that you will benefit immensely by working through lots of problems. Indeed, working through lots of problems is probably the key way to learn many of the core principles of finance.

Re-grades will only be considered within one week of the date the graded material is made available to you, and must be in writing. Please limit re-grade requests to grading errors - i.e., do not submit frivolous requests. Frivolous requests (i.e., those where the exam/problem was graded correctly) will be penalized by the amount of points you ask to be re-graded.

Technology, Communication and the Internet

The Internet has quickly become a vast source of information, and an important business tool. Indeed, the World Wide Web is often the most timely and convenient source of corporate financial information. Please take advantage of it; it will improve the quality and efficiency of your learning experience.

I will use the course web site extensively throughout the term, periodically posting calendar items, news flashes, updates, FAQs, old exam questions (and solutions) and other information. We may also use the course web site for two-way communication using such tools as the Discussion Boards and "Live Classroom" (if the need arises). You should get into the habit of checking the web site regularly. In addition, please register your preferred e-mail at the course web site as I will use it for some class communication.

Today, many economic decisions are based on analysis done in spreadsheets. If you have not done so already, you should master the spreadsheet package of your choice right away. Note that UGA does offer several online courses on various software packages, including Microsoft Excel (most courses are free to current students). For more details, please see <http://innergeek.uga.edu/> -- I strongly encourage those who are relatively new to spreadsheets to take advantage of these offerings early on in the course. Further, as discussed earlier in the syllabus, your won't likely survive this course without a basic understanding of Microsoft Excel.

Course Topics

Introduction to financial management and investment decisions

We will review the roles of the financial manager including choosing long-term investment projects (the "capital budgeting" decision) and determining how to finance investments (the "financing" decision). We also review the goals of the modern corporation along with an introduction to the dynamics of relations between managers and shareholders (agency theory).

Valuation, discounting cash flows (time value of money)

A thorough study of the mathematics of compounding and discounting used in valuation is probably the most fundamental topic in finance. We will use net present value to determine the value of bonds and stocks with varying cash flows over time, as well as discussing alternative approaches to valuation, and will apply these concepts to a variety of problems.

Capital budgeting decisions

Financial managers must determine whether to accept or reject investment projects. We study how to value these projects to make informed and consistent accept/reject decisions. We will review alternative methodologies, reviewing the costs and benefits of each, and will gain an appreciation for the difficulty of accurately predicting and valuing cash flows.

Capital market theory -- Risk and return

Capital market theory includes the study of expected return and risk for portfolios and individual assets. This area includes understanding the risk-return tradeoff, the capital asset pricing model (CAPM), the difference between systematic and unsystematic risk, the importance of diversification in reducing risk in a portfolio, and market efficiency. The concepts developed here are important for developing appropriate analysis for corporate investment decisions.

Capital structure

Capital structure and dividend policy, also referred to as corporate financing policy, considers how to finance the firm's investment projects. We discuss the basic types of long-term financing (e.g., common and preferred stock, bonds, etc.) and the major trends and patterns of long-term financing. We follow with a more in-depth discussion of the firm's capital structure decision, based on the Modigliani & Miller paradigm. We emphasize the role of taxes, agency costs and bankruptcy costs in understanding "optimal capital structure". We also review appropriate considerations with respect to a firm's dividend policy.

Special Topics

The course also includes various special topics, including options and contingent claims, on a self-study basis, and other extensions of the above material as time permits.

FINA 3000 -- Weekly Assignments / Schedule *(Please note: this changes regularly)*



Week 0 - Pre-Reading

- *Pre-Reading, Introduction*
- *Deliverables: Follow above link*



Week 1 - Aug 16

- *First day of Class, Thurs, Aug 16*
- *Introduction; Discounted Cash Flow (DCF) Basics*
- *Deliverable: Quiz 1 due Aug 24 (online quiz)*



Week 2 - Aug 20

- *Valuation Basics: Discounted Cash Flow (DCF)*
- *Deliverable: Quiz 1 and 2 due Aug 24 (online quiz)*



Week 3 - Aug 27

- *Valuation Basics: Bond Valuation, Stock Valuation*
- *(Optional) Extra Help Session: Wed, Aug 29, 6pm, Sanford 209*
- *Deliverable: Quiz 3 due Aug 31 (online quiz)*



Week 4 - Sept 3

- *Valuation Basics - cont'd*
- *Deliverable: Exam 1: Thurs, Sept 6 (in Caldwell 305 and 306 -- computer rooms)*



Week 5 - Sept 10

- *Net Present Value (NPV)*
- *Deliverable: Quiz 4 due Sept 14*



Week 6 - Sept 17

- *Capital Budgeting: Analyzing Investment Opportunities*
- *Deliverable: Quiz 5 Sept 21*



Week 7 - Sept 24

- *NPV and Capital Budgeting*
- *Deliverable: Problem Set 1 due Sept 26, 5pm (electronic version; bring hard copies to class on Sept 27)*
- *-> NOTE: On Thurs, Sept 27 we will meet in Caldwell 305 (computer room)*



Week 8 - Oct 1

- *Risk, Return and the Cost of Capital*
- *Deliverable: Quiz 6 due Fri, Oct 5*



Week 9 - Oct 8

- *Catch-up, Review, Problems*
- *Deliverable: Exam 2: Thurs, Oct 11 (in Caldwell 305 and 306 -- computer rooms)*



Week 10 - Oct 15

- *Risk, Return and the Cost of Capital cont'd*
- *Deliverable: Quiz 7 due Fri, Oct 19*



Week 11 - Oct 22

- *No class Thurs, Oct 25 - Fall Break*
- *Competitive Markets and Market Efficiency*
- *Deliverable: Quiz 8 due Wed, Oct 25*



Week 12 - Oct 29

- *Leverage and Capital Structure*
- *Deliverable: Quiz 9 and 10 due Fri, Nov 9*
- *Reminder: Do NOT wait to get started on your case write-ups*



Week 13 - Nov 5

- *Leverage and Capital Structure cont'd*
- *Dividend Policy*
- *Deliverable: Quiz 9 and 10 due Fri, Nov 9*



Week 14 - Nov 12

- *Catch-up, review; Ocean Carriers Case Discussion*
- *Deliverable: Ocean Carriers case write-up due Wednesday, Nov 14 at 5pm (electronic version; bring hard copies to class on Nov 15)*
- > [[Ocean Carriers guidance](#)]



Week 15 - Nov 19

- *No class Thurs, Nov 22 - Thanksgiving Break*
- *Catch-up, review; Valuation;*
- *Deliverable: TBD*
- > [[Ocean Carriers guidance](#)]



Week 16 - Nov 26

- Epilogue, Review, Q&A; Valuation; Personal Finance

-> *NOTE: On both Nov 27 and Nov 29, we will meet in Caldwell 305 (computer room)*

- *Deliverable: TBD*



Week 17 - Dec 3

- Last day of class, Thursday, Dec 6, No class on Tuesday, Dec 4 (that Tuesday follows a Friday schedule)

- Epilogue, Review, Q&A

-> *NOTE: Thursday, Dec 6, we will meet in Caldwell 305 (computer room)*

- *Deliverable: Final Exam scheduled for 12/11 from 8-11am in Sanford 314 (tentative)*



Special Topics

- Special Topics (Optional, Self-Study)

Final Exam: 12/11 from 8-11am in Sanford 314 (Tentative)