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.

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 Wall Street Journal, the Financial Times, the New York Times or other periodicals, and relevant material from your work experiences.

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**: Ross, Westerfield and Jaffe, Corporate Finance. I will provide references to both the 6th edition ("Revised Printing") and the 7th edition in the reading list. It can be purchased from the bookstore or online at places such as Amazon.com, eCampus.com, and efollett.com. There is also an electronic version of the 7th edition available for the Zinio book reader. It is slightly more than half the price of a new hard copy, and has both benefits and costs compared to a standard textbook. You can get the e-version here.
- The course web site is a Blackboard web site. Login at http://terry.blackboard.com and go to "Financial Management". Registered students should be granted access at least one week prior to first day of class. Please contact the Terry help desk (706-542-6799) or me if you have trouble accessing Blackboard or the course web site (after it has been made available).
- **Coursepacks**. The course packets (CP) can be purchased from the Bel-Jean copy center (will be available at least one week prior to the first day of class). There are two coursepacks: one contains cases (required); the second contains lecture notes and other course-relevant materials (optional -- Note: virtually all the materials in this optional coursepack are posted to the course web site. However, most will find it much more efficient to purchase the optional coursepack than to print all the material in it). 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 such that we can devote more time to class discussion and working through problems. For example, I purposely leave out many solutions, among other things, 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 (at the "Lectures" tab at the course web site).
- Near the end of the course, we will complete the DEXDAQ valuation game (http://www.dexdaq.com/). You will need to purchase and ID and PW for access. More details to follow. In the meantime, you are welcome to visit that web site and read about the game.
- I recommend that you purchase, and learn how to use, a financial calculator. Although most any financial calculator will be fine, I use the BAII-Plus, and thus, will occasionally use that one during class. Caution: do not rely on the calculator too much (or Excel for that matter), particularly in the early part of the course. Make sure you understand the problem/setup before plugging numbers into the calculator.
- **Recommended**: Regular reading of a financial/business news periodical such as the Wall Street Journal.

Assignments and Grading
Deliverables and their allotted proportions

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<th>Deliverables</th>
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<td>Problem Sets and Case write-up(s)</td>
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<td>Exams</td>
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Quizzes. There will be several quizzes throughout the term. Many will be online, administered directly via Blackboard. You will be allowed to take some quizzes more than once. Other quizzes may be administered during the first 15 minutes of class, and some may be take-home. 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. Any in-class quizzes are open notes, and are also individual work. Take home quizzes should be done in your groups, handing in one solution per group. For grading purposes, I will drop your two lowest quiz scores.

Problem Sets and Case write-up(s). Each team will complete several cases and/or problem sets during the term. The cases, other than DEXDAQ, are included in the required coursepack. The DEXDAQ materials should be downloaded from the DEXDAQ website (www.dexdaq.com), and I will post the problem sets to the course web site. Each of these assignments will have it's own set of requirements, which I will post to the course web site at least one week before the assignment is due. Complete all cases and problem sets with your team, and hand in only one copy per team. Hand in a hard copy, and upload an electronic copy (including any spreadsheet exhibits) to the course web site's Digital Drop Box. Use the naming convention "TeamName_CaseName" (i.e., team05_ameritrade.doc) in your filename when uploading files to the web site. Please print (or, at a minimum, print preview) your electronic documents prior to handing in such that they are appropriately paginated for immediate printing. Case write-ups, both the hard copy and the electronic copy, are due by 5pm the day before the case is to be discussed in class. Please come prepared for all case discussions -- a non-trivial portion of your participation grade will be based on your participation in case discussions, including any cases for which you are not required to do a "full write-up". I will also solicit groups to volunteer for presenting in class, and will consider these presentations in determining your final case grade.

Exams. There will be three exams during the course. Exams are closed book, closed notes, but you are allowed one 8½ x 11-inch "cheat-sheet" and your calculator. 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. The final exam will be worth 25% of your final grade, and the other two exams will be worth 40%: 15% for the lower score and 25% for the higher score. See the course web site for further details (including questions and answers from old exams).

Class Participation represents my judgment as to the quality of your individual contribution to class and online discussions (if any), and will be evaluated carefully throughout the term. The idea is to give you additional motivation to attend class prepared, contribute to class discussions and maximize your learning experience.

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.

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 Virtual Classroom and the Discussion Boards. 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 early on in this course. 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.

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 and dividend policy
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.
**Week 0 - Pre-Reading**
- Introduction, Pre-read
- Deliverables: Follow above link

**Week 1 - Oct 12**
- First day of Class, Wed, Oct 12
- Introduction; Valuation Basics: Discounted Cash Flow (DCF)
- Deliverable: Quiz 1

**Week 2 - Oct 17**
- Valuation Basics: Discounted Cash Flow (DCF)
- Deliverable: Quiz 2

**Week 3 - Oct 24**
- Valuation Basics: Bond Valuation, Stock Valuation
- Deliverable: Quiz 3

**Week 4 - Oct 31**
- Valuation - cont'd
- Deliverable: Exam 1, Wed, Nov 2

**Week 5 - Nov 7**
- Net Present Value (NPV)
- Deliverable: Quiz 4

**Week 6 - Nov 14**
- Capital Budgeting: Analyzing Investment Opportunities
- Deliverable: Quiz 5

**Week 7 - Nov 21**
- No class Wednesday, Nov 23 - Thanksgiving Holiday
- NPV and Capital Budgeting
- Deliverable: Problem Set 1 due Nov 20, 8pm (electronic version; bring hard copies to class on Nov 21)

**Week 8 - Nov 28**
- Risk, Return and the Cost of Capital
- Deliverable: Quiz 6

**Week 9 - Dec 5**
- Catch-up, Review, Problems
- Deliverable: Exam 2: Thurs, Dec 8, noon-3pm

**MBA Joint Project**

**UGA Christmas Break: Dec 19 - Jan 6**

**Week 10 - Jan 9**
- Risk, Return and the Cost of Capital
- Deliverable: Quiz 7
- No class Monday, Jan 16 - MLK Day
- The Cost of Capital
  - Deliverable: Quiz 8

**Week 12 - Jan 23**
- Market Efficiency
  - Deliverable: Quiz 9

**Week 13 - Jan 30**
- Leverage and Capital Structure
  - Deliverable: Quiz 10

**Week 14 - Feb 6**
- Leverage and Capital Structure - cont'd
- Dividend Policy
  - Deliverable: Quiz 11

**Week 15 - Feb 13**
- Summary, Review: Problems, Case Discussions
  - Deliverable: All Case write-ups (other than DEXDAQ) due Feb 14 at 8pm (electronic version; bring hard copies to class on Feb 15)

**Week 16 - Feb 20**
- Summary, Review: Case Discussions
  - Deliverable: DEXDAQ Valuation due Feb 21 at 8pm

**Week 17 - Feb 27**
- Mon, Feb 27, DEXDAQ Trading Day **Bring your computers to class**
  - Epilogue, Review, Q&A
  - Deliverable: TBA

**Special Topics**
- Special Topics (Optional, Self-Study)

*Final Exam: TBA*