

FINA 3000: Financial Management

Summer 2008 (Second Session, July 7-July 31); Call # 22-112
Daily 9:15-11:30; Peabody 115

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

Instructor: Lei Gao

Office: Brooks Hall 289A

Email: gaolei@terry.uga.edu

Phone: 706-542-3639

WebCT: webct.uga.edu

Office Hours: 11:30 – 12:30 PM T & F, and by appointment

Academic Honesty

All academic work must meet the standards contained in “A Culture of Honesty.” All students are responsible to inform themselves about those standards before performing any academic work.

Honesty is a fundamental principle of academic, business and community life. Students are expected to demonstrate the highest degree of honesty in performing assigned work. Please consult the UGA academic code of honesty. Matters that are unclear should be discussed with the instructor.

Academic honesty means performing all work without plagiarism, cheating, lying, giving or receiving unauthorized assistance. Examples of academic dishonesty include: a) using someone else's words, opinions, or ideas without giving proper credit to the source; b) copying or allowing another to copy answers during a quiz or exam; c) using unauthorized material to complete an assignment.

Course Description

This course provides an introduction to the financial decision-making process, and serves as the foundation for more detailed discussions of specialized areas in finance. It introduces students to basic finance concepts and analytical tools with a focus on the responsibilities of corporate financial managers as well as the role of financial markets and institutions. At the most fundamental level, the corporate financial manager is faced with two important 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).

The course will be comprised of lectures, class discussions and problem solving. Students are encouraged to introduce current financial topics from business periodicals such as the

Wall Street Journal, *Business Week*, and *The Economist*. The class requires regular attendance and substantial effort devoted to reading assigned chapters and home work problems.

Course Prerequisite

Students are expected to have ACCT 2101 Principles of Accounting I, and a Personal Computing or an Information Systems course. Students would be better positioned if they have taken or are concurrently taking a course in Economics. You would be expected to be familiar with basic statistical concepts, such as probability distribution, mean, covariance, correlation, and standard deviation.

Course Requirements

- A) Three in-class quizzes – 30% weighting on two best scores out of three, July 11, July 18 & July 25.
- B) Final Exam – 40%, July 31.

Considering how short the session is, the pace of the course will be fast and the material challenging. So it is important that you endeavor not to fall behind. For grading purposes, the *lowest quiz score will be dropped*. The quizzes and final exams will be administered at the assigned times only. If the office of Student Affairs certifies that you missed an exam for a valid reason, your final exam grade will be re-weighted. **The final exam is cumulative.** You cannot “make-up” your grade with extra work. Bonus points are possible for important contributions to the class.

Course Grades

Your course grades (A thru F, W) will be consistent with the official UGA grading scale and will be determined by the total course points (0-100) calculated as the weighted average of individual grade points. Approximate scale:
A [94-100), A- [90-94), B+ [87-90), B [83-87), B- [80-83),
C+ [77-80), C [73-77), C- [70-73), D [60-70), F [0-60).

Attendance:

Attendance is required but will not be taken daily. However, you are responsible for all material covered in class, and all changes that are made in course content during class. If you miss a class, talk to your friends, read the book, refer to the notes, etc; don't expect me to go through the lecture once again. Lectures build on previous material, so regular attendance is essential for success in the course.

Withdrawal Policy:

Prior to final drop day, students who withdraw will receive one of two grades: W (withdrew passing) or WF (withdrew failing). If the class has already taken one or more

tests, the withdrawing student must have passed at least one test to get a W grade. If the withdrawing student has skipped all tests, that student will receive a WF.

Course Materials

Textbook (Required): “Fundamentals of Corporate Finance,” by Ross, Westerfield, Jordan, ISBN: 007353062x, 8th edition, any version is fine.

You need a financial calculator. Please have your financial calculator ready for class, quizzes and the final exam. It is your responsibility to know how your calculator works. The least expensive calculator that does the net present value analysis is fine. The recommended is the Texas Instruments TI – BAI (any of its various versions). We will review some basic functions in class.

Recommended (not required): any business periodicals such as the Wall Street Journal, Business Week, The Economist.

Course Topics

Week One: Introduction to Corporate Finance and Investment Decisions

Chapter 1 – Introduction

Chapter 5 – Time value of money

Chapter 6 – Discounted cash flow valuation

Chapter 7 – Interest rates and bond valuation

Chapter 8 – Stock valuation

Week Two: Capital Budgeting

Chapter 2 & 3 – Financial statements, ratios and cash flows

Chapter 9 – Net present value

Chapter 10 – Making capital investment decisions

Week Three: Capital Market Theory

Chapter 12 – Capital market history

Chapter 13 – Risk, return and security market line

Week Four: Capital Structure

Chapter 15 – Cost of capital

Chapter 17 – Financial leverage and capital structure policy

Chapter 18 – Dividends and dividend policy

NOTE: As every class has its own unique dynamics, the course syllabus is only tentative and the instructor may announce changes as necessary. Therefore you need to watch for potential announcements of changes in class.

Things to Remember:

Use of Electronic Devices: No electronic device, with an exception of financial calculator, is allowed to be used in class. No iPods, any other MP3 players, etc. No Laptops - my class lectures don't require any use of laptops. If I find you using a one, that clearly indicates you are working on something else. Cell phones must be switched off or kept on silent mode.

Do bring a financial calculator to every class. You will find it very useful.

As a general rule, you are not allowed to eat during class. I have strict NO chewing gum / bubble gum policy. If you can't remain without chewing gum, don't take my class. However, if you like, you can bring in drinks like Coke/Pepsi, coffee or tea, etc.

If during tests, you need any special attention (like physical disability, etc), you must bring it with me at least one day before the tests. I will not entertain any requests on the day of the exam.

You must bring Photo ID during all exams. I reserve the right to deny you from taking the exam if you don't have a Photo ID with you.

This is a difficult class. The field of finance is very broad and we move at a fast pace. The material builds on previous material, so it is important to NOT get behind.

Working the assigned homework problems is the best step you can take to make a good grade in the course. Be able to understand HOW and WHY you get a result for a particular problem. No two finance problems are alike....

Read the textbook ahead of class.

Take advantage of office hours. They exist for a purpose.

You may have to work harder and longer than your classmates to master the material.

I will post outline of my notes on the WebCT. You may find it useful to bring a print out of these outlines to class.