

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

FINA 3000H: Financial Management (*Honors*): Spring 2009

TTh, 9:30am-10:45am, SLC 247

Professor James S. Linck

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Office Hours: Tentatively Tues/Wed: 2:30-4:00pm, and by appointment.

Virtual Office Hours (online): By appointment.

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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 on the phone, face to face or with the aid of some online tool. 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 -- that is, make sure your e-mail program is set up to keep the content of the original e-mail when you reply.

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. I would summarize our broad objectives as follows:

- Understand fundamental finance concepts
- Become familiar with the key analytical tools related to those fundamental concepts
- Apply these tools to solve problems and improve your problem solving skills

- Use problem solutions to make decisions

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/life 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. If you need any more motivation, please see the article I posted in Course Materials [[and here](#)] on the relation between student effort and performance. Oh, and do not miss class as it will dramatically decrease the efficiency and effectiveness of the learning process. If you absolutely must miss class, be sure to get with your team to fully understand what you've missed.

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: The Core plus MyFinanceLab Student Access Kit* - ISBN-10: 032155759X, 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. There is also an [electronic version available](#), that costs about 1/2 what the hard copy costs. 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](#) web site. Login with your UGA MyID at <http://webct.uga.edu> and go to "FINA3000H - Linck ". Registered students should be granted access at least a couple days prior to first day of class. Please proceed to the course web site for pre-first day assignments and other information related to the course. Go to Course Content, Weekly Schedule, Week 0 - Pre-Reading. Please contact the [Terry help desk](#) (706-542-6799) or [me](#) if you have trouble accessing it (after it has been made available). Get in the habit of checking the web site regularly.
- *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 other 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 "Weekly Schedule "). 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 ("Post-Lecture Notes" in Course Content).
- *Additional Materials* are posted to the course web site, and more will be posted to the course web site

- throughout the term including Powerpoint narrations, post-lecture notes, solutions to problems, etc.
- Two important *tools* that you will use extensively during the course are a *financial calculator* and *Microsoft Excel*. While most any financial calculator will be fine, I use the BAI-Plus, and thus, am most familiar with that one. It is imperative that you become comfortable using spreadsheets (Microsoft Excel) during the 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.
 - *Caution*: While the calculator and Excel are essential *tools*, do not rely on them too much, particularly early in 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	15%
Problem Sets, Cases and Other Assignments	10%
Exams (midterm: 30%, final: 35%)	65%
Class Participation	10%
Extra Credit - Up to 15%, which will proportionately reduce the weight on each of the above categories	

Teams. We 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. We will finalize teams shortly after the end of the initial drop/add period.

"Handing-in" deliverables. Please submit all download-and-complete assignments (cases, problem sets, etc.) by uploading them to the respective Assignment at the course web site (where you downloaded it). For team assignments, use the naming convention "TeamName_AssignmentName" (i.e., *Team05_PS01.doc* for *Team 5, Problem Set 1*) as your filename. For individual assignments, use the naming convention "LastNameFirstName_AssignmentName" (i.e., *LinckJim_Exam01.xls* for *Jim Linck's Exam 1*) as your filename. Please print (or, at a minimum, print preview) your documents prior to handing in such that they are appropriately paginated for immediate printing. Each assignment will have some points allotted to "overall readability", which will be determined by the extent to which you follow directions and provide a deliverable that is professional and easy to follow. That is, the extent to which your results are communicated effectively will directly impact your score.

All deliverables have a specific due date/time, which you will know well in advance. I will not accept late assignments (that is, you will get a zero).

Quizzes. There will be several quizzes throughout the term. Some will be in-class. Many will be online, administered directly via the web site -- see Course Content, Assessments (Online Q's & E's) and Assignments (Other). You will be allowed to take some quizzes more than once. Others will 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, problem sets and cases. Although each student will submit an individual quiz (for online quizzes), you are allowed, and encouraged, to consult with your classmates in completing each out-of-class quiz. You can use whatever other resources you wish in completing out-of-class quizzes as well such as your books, notes, computer, calculator. View them as a learning tool. *For grading purposes, we will drop your two lowest quiz scores.* There will be no make-up quizzes. If you miss a quiz, you will receive a zero (and presumably will constitute one of your dropped quizzes).

Problem Sets and Case write-up(s). Each team will complete several problem sets and/or case write-ups during the term. The cases are included in your coursepack, and I will post any problem sets to the course web site (Course Content, Assignments). 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. You should complete all problems sets and cases in your teams, handing in (uploading) one copy per team. This is your team's assignment: do not work with other teams (doing so would be consider a violation of UGA's academic honesty policy). Hand in by uploading 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_costco.doc) as 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, unless stated otherwise. You won't be able to upload them after that point, and they will not be accepted.* 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 case grade.

Exams. Exams are to be worked *individually* -- you may neither give nor receive aid on exams. Receiving aid from, or giving aid to, another individual is a violation of UGA's academic honesty policy. You will be allowed to use your calculator, Excel and one one 8½ x 11-inch "cheat-sheet" for any in-class exams -- bring your laptop. Each of your exams may consist of two parts. The first part will be completed online in a format similar to your online quizzes. There will be some differences from that format, most notably that there will be a time limit and you will only get one attempt. I will post the second part to Assignments. It will be an Excel spreadsheet, which you will complete therein and turn in by uploading to the Assignment where it is posted. Use the naming convention described above. Note that 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 (and will be cumulative). As mentioned, part or all of your exams will be in Excel. Thus, use this as an incentive to get familiar with Excel during the term (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.

Class Participation represents my judgment as to the quality of your individual contribution to class and online discussions, and will be evaluated carefully throughout the term. These are not gimmie points, not simply a reflection of class attendance, and need to be earned. The idea is to give you additional motivation to attend class prepared, contribute to class discussions and maximize your learning experience. Further, I may take attendance on random days throughout the term and announce "attendance-specific" questions that will show up on future exams. All of this is additional incentive to keep you on your toes.

Extra Credit. Each student will have the opportunity to earn extra credit points by solving problems in MyFinanceLab during the term (the MyFinanceLab problems mirror the recommended end-of-chapter problems). Here's how it will work. At the end of the term, I will download all of your MyFinanceLab homework

scores, drop the two lowest and take the simple average as your MyFinanceLab score. If that average is higher than your overall course average ignoring the extra credit, then I will include your extra credit average as 15% of your grade, reducing each other component proportionally (i.e., I will weight your extra credit score as 15% and everything else together as 85%). If the extra credit score you earn is less than what you have otherwise earned in the course, then I will ignore it when calculating your final score. In any event, suffice in to say that you will benefit immensely by working through lots of problems (see the article about effort mentioned above). Indeed, working through lots of problems is probably the best way to learn the core principles of finance. I give you lots of opportunities to do that! Note that you can take MyFinanceLab assignments multiple times to improve your score.

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.

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 on a self-study basis, and other extensions of the above material

as time permits.