

BUAD 215-Foundations of Business Finance

Course Overview and Schedule

Section: 14497R

Spring 2015

Class Time: T and Th: 8:00-9:50 am

Class Location: HOH 2

Professor: Dr. Seda Durguner

Office Hours: Thursdays: 12:00 pm - 3:00 pm

E-mail: sdurgune@marshall.usc.edu

Office Location: BRI-307A

The materials of this course are only for students who are registered to this section. Distributing any of these materials to other people or posting them to the Internet without permission of the instructor is regarded as infringing copyrights and the university policy.

COURSE DESCRIPTION

BUAD 215 is a fundamentals course in finance. Finance is a way of thinking about economic problems that involve uncertainty over time. This course is designed to provide an introductory framework for understanding how financiers think, how they break down components of a financial problem, and how they make decisions as investors and corporations in the financial market. By the end of the semester, you should be familiar with financial vocabulary, understand aspects of financial theory, develop skills in financial computation, and appreciate the underlying financial mindset as well as incentives involved when solving problems of finance. You will learn principles related to time value of money, operation of financial markets, stock and bond valuations, assessments of the risk of investments, capital budgeting decision, cost of capital for firms and individual projects, and effects of debt and dividend policy on firm value.

COURSE LEARNING OBJECTIVES

Through lecture, group project analysis, worked samples, and by learning to apply appropriate mathematical and financial formulas and functions, you will be able to:

1. Understand basic types, goals, and implications of financial management and the role of the financial decision maker.
2. Interpret financial statements and how they influence long-term planning and growth.
3. Understand the meaning of time value of money and how to evaluate the trade-off between dollars today and dollars sometime in the future.
4. Understand interest rates, bonds, and stocks; and realize how interest rates impact bonds and stocks.
5. Determine the cost of capital, and understand and apply the concepts of the weighted cost of capital (WACC).

6. Understand the different criteria used to evaluate proposed investments (e.g., net present value (NPV), IRR, MIRR, payback period, and discounted payback period).
7. Understand how firms decide to commit capital and its impact on cash flow (discounted cash flow).
8. Recognize and understand the elements of optimal capital structure, the effects of financial leverage, bankruptcy, and the role of taxes.

REQUIRED TEXTBOOKS AND MATERIALS

1) Essentials of Corporate Finance, Eight Edition by Ross, Westerfield and Jordan. ISBN number: 978-0-07-803475-6. Since this is an expensive book, students are welcome to use a “used-textbook”.

I put a copy of the textbook on reserve at the Crocker Business Library.

2) Calculator with financial functions. I will teach from the Texas Instruments BA II Plus. You can use other calculators that have the same functionality such as the BA II Plus Professional, the Hewlett Packard 17bII+, and Hewlett Packard 10bII. Many graphical calculators, such as the TI-83, have built-in financial functions. However, it is the student’s responsibility to learn the functions of their particular calculators. You should bring your calculator to all classes and exams. You will be extremely disadvantaged if you do not have your calculator during exams. During exams you will not be allowed to use cellphone calculators, computers, or any other device that can communicate to other devices, so learning how to use the financial calculator is essential for success in the class.

3) I will post slides, non-graded assignments, end-of chapter questions, sample exams and extra notes on Blackboard. All related announcements will also be posted on Blackboard.

Supplemental Reading: Students are encouraged to read Wall Street Journal (please see www.wsj.com/class for student subscription).

COURSE PREREQUISITES:

1 from ACCT 410, or BUAD 285a, or BUAD 280 or BUAD 305. This class duplicates credit in BUAD 306.

GRADING POLICY

Grades will be assigned according to the following weights:

Project 1-Time Value of Money	5%
Project 2-CAPM/Bond Project	5%
Project 3-Capital Budgeting Project	5%
Midterm 1	25 %
Midterm 2	25 %
Final Exam	35 %

Tentative Exam Dates:

Midterm 1: February 10, Tuesday

Midterm 2: March 26, Thursday

Final Exam: Please check the university website <http://classes.usc.edu/term-20151/finals/>

In **rare** occasions, the dates of the exams might need to be changed. In that case, I will notify students through Blackboard as soon as possible. It is your responsibility to check the announcements on Blackboard.

Group Project Assignments: The projects will be posted on the Blackboard course website and submitted as a group. These projects must be submitted to Blackboard as an excel file. Groups will be formed from the same section early in the semester. Each group will compose of 5-6 group members. The projects are due on the dates indicated on the Course Schedule and below. These projects will require the use of Excel. Each assignment will be graded, and the grade will be a partial determinant of your course grade. Each project must be submitted on Blackboard by 10:00 PM on the due date. In addition to electronic submission of the “Group Project” by 10 pm on the project due date, the “Group Project Point Allocation Contract” should be submitted as a hard copy with signatures to the instructor at the beginning of the first class after the project due date. The “Group Project Point Allocation Contract” will distribute the score of the project proportionately to each group member, (subject to a 10% cap) as group members direct. All members to the group must agree to the allocation, and if they do not, instructor will determine the allocation based on the majority of the team.

Project 1: Time Value of Money Project (25 points*4=100 points) February 3, Tuesday

Project 2: CAPM/Bond Project (25 points*4=100 points) March 12, Thursday

Project 3: Capital Budgeting Project (25 points*4=100 points) April 16, Thursday

Late projects received before the graded assignments are returned will lose 20% per day late.

No assignment will be accepted after the graded assignments are returned.

Unprofessional work submitted as a group project will be deducted 10% of the project grade.

These projects will give you practice with the types of calculations and concepts that are important to a proper understanding of the material of the course. Also, these projects with using Excel to make financial calculations and to solve financial problems. These skills are highly valued in the business world.

2 Midterm Exams: Each midterm exam will be worth 25% of your final grade. The chapters that you will be responsible for each midterm are provided at the end of the syllabus under “Tentative Course Schedule”.

Final Exam: Final exam will be **cumulative** and covers all the chapters. **All the chapters and/or concepts are equally weighted.** Final exam will be worth 35% of your final grade.

All midterms and final exam will be closed book and notes.

You will be provided with a formula sheet for each exam. I will post a sample formula sheet on Blackboard so that you can know which formulas are going to be included. However, **if a formula is not provided in the formula sheet but we covered in class, then you need to know the formula by memory.** So, it is best to look at this formula sheet before the exam so that you know which formulas you need to know by memory.

University policy requires the final exam to be given at the time indicated by the University's final exam schedule. You may refer to <http://classes.usc.edu/term-20151/finals/> to learn about the final exam time and location. Instructors do not have discretion to grant exceptions to this policy. **No student is allowed to take the final exam earlier or to skip the final exam.**

There will be no make-up tests, no matter what the excuse is. By enrolling in the course you are committing to take the tests on the scheduled dates. If you miss an exam, it receives an automatic zero.

If you miss a **midterm** for an approved reason, the weight of the final exam is increased to compensate for the missed midterms. Approval for a missed midterm will be **rare**, and only with appropriate written documentation from an authoritative source indicating why the student was unable to appear for the midterm. A doctor's certification addressed to the professor warranting the absence of the student from an exam will be required. If you have to miss a test for religious reasons, a formal request for weight adjustment for the missed exam should be made at least two weeks before the missed exam and the school will need to verify the validity of your request.

I do not assign letter grades to individual exams or group projects. For each exam and group project, you will receive a score from zero to 100 points. At the end of the semester, I will compute your weighted average semester score (also from zero to 100 points) as follows.

$$\text{Semester Score} = 0.05 * \text{Project 1} + 0.05 * \text{Project 2} + 0.05 * \text{Project 3} + 0.25 * \text{Midterm 1 Score} + 0.25 * \text{Midterm 2 Score} + 0.35 * \text{Final Exam Score}.$$

If your Semester Score is between zero and 52 points (inclusive), you will receive a **failing grade (F)**. This rule will be strictly enforced. I will also not assign any kind of extra credit activities (papers, homework, etc.) to any of the students in class either to pass the class or to boost their grades.

Cutoff points for Ds, Cs, Bs, and As will be assigned according to the overall course performance. Overall course performance will be based on all students who are enrolled in my BUAD 215 course during the current semester. Your final grade will reflect my best judgment of your course performance, as indicated by your performance on the exams and the projects and your ranking among all students in the course. Your rankings in the course will be determined based on the weighted score you received at the end of the semester. I will attempt to follow the School's recommended **mean GPA target: 3.0 (B)**. There will be no hard target for the distribution of grades.

In marginal situations, if you are in between cutoffs, my opinion will matter. In determining my opinion, I will consider your work ethics, your professionalism in class, and how well prepared you come to class and how satisfactorily you answer cold-calls (please refer to section on "Recommended Preparations and Expectations" to learn more about how you can better prepare for a class). Some examples of **good work ethics** are hard work, motivation, persistence, and determination. Some examples of **professionalism** in class are arriving to class on time and not leaving the class early, being attentive and not lounging during lectures, no private/side conversations during lecture time, turning off cell phones/laptops/any other technical devices before the class starts, and not engaging in any type of disruptive behavior in class.

CLASSROOM POLICIES TO FOLLOW

In order to create a conducive learning environment for all students, students are expected to follow the below grim rules—grim means “no negotiation” in this context. ***If you do not follow these policies, you will leave the classroom.***

- 1) Turn off your cellular phones before entering the classroom and put them in your bag-packs. Since your phone should be turned off, texting during class is not only disrespectful, but it is also a serious violation of class policy.
- 2) No laptops or tablets or any other electronic devices are allowed in class. Past feedbacks from students brought out the concern that this causes a distraction for them.
- 3) No student can arrive late to class or leave the class in the middle.
- 4) Lounging during class time is not allowed.
- 5) Private/Side conversations among students (no matter what the purpose is) during class time is not allowed.
- 6) When you are asked to work on a problem during class time, you need to work on your own (on an individual basis) because group work causes noise and distraction for the rest of the class.
- 7) Interfering with other students’ questions are not allowed because it creates chaos in class. Every student is responsible in expressing their own questions. If they need further explanations to their questions, they need to follow up with the professor after class.
- 8) Any additional disruptive behavior will not be tolerated. Examples of additional disruptive behavior are as follows but not limited to only these examples:
 - a. A student in class who persistently arrives late or leaves early in a manner which is disruptive to the regular flow of the class.
 - b. A student who talks incessantly while the professor is delivering a lecture.
 - c. A student who loudly and frequently interrupts the flow of class with inappropriate questions or interjections.
 - d. A student who becomes belligerent when the professor confronts his or her inappropriate behavior.

*Behavior that **persistently or grossly** interferes with classroom activities is considered disruptive behavior and may be subject to disciplinary action. Such behavior inhibits other students’ ability to learn and an instructor’s ability to teach. A student responsible for disruptive behavior may be required to leave class pending discussion and resolution of the problem and may be reported to the Office of Student Judicial Affairs for disciplinary action.*

- 9) You are not allowed to have cell phones during exam times. If you are caught having cell phone on your desk, or holding the cell phone in your hand or on your knees or on your chair during an exam time, it will automatically be considered as cheating and you will receive an automatic F from the course. The cell phones should be in your bag-packs.
- 10) No reference letter will be written until after the final letter grades are determined and the entire performance throughout the semester is observed.

OFFICE HOUR POLICIES TO FOLLOW

Please remember that office hours are open to any student and there is limited space in the office. Thus, in order to create a conducive learning environment during the office hours, we need to follow the below policies.

- 1) Come prepared with your own work and bring specific questions. Do not ask the professor to randomly solve any question so that you can review.

- 2) Do not use the office hours and also the office location as a library. That would mean, after getting answers to your specific questions, please do not ask the professor whether you can stay in her office and continue to study and meanwhile ask questions as you come along with questions. You should do your study alone and then bring your specific questions to the office hour.
- 3) Do not continue to hang around in the office during the office hour so that you can hear other students' questions.

RECOMMENDED PREPARATIONS AND EXPECTATIONS

An active and productive classroom is essential for the success of this course. Cultivating and maintaining such an environment is the responsibility of the instructor and the students. This responsibility imposes several obligations on all of you. First, it is very important that **you prepare yourself for each and every session**. To be more specific, **prior to every session, you should read the chapter and the power point slides before we cover in the class** (see the last page of this syllabus under Course Schedule for a detailed schedule). I would like to highlight that powerpoint slides are prepared in depth and reading the power-point slides before coming to class will help you in your preparation to class.

Further, this finance course is cumulative, so that a misunderstanding of some earlier argument can create an even deeper misunderstanding at some later stage. It is important that you **review your notes after each class and attempt to recreate the same arguments on your own**. Keep current with your understanding of the material by reviewing your lecture notes soon after each class.

I will post additional materials to Blackboard: 1) non-graded assignments, 2) practice questions (end-of chapter questions, sample exams), and 3) summary sheets highlighting some of the main concepts corresponding to each topic. Although you are not graded on these additional materials, my expectation is that you do these **materials immediately after we cover the related chapter**. These materials are very important part of our class – students who **carefully and on regular basis** study these additional materials obtain significantly better grades on the exams. If you pile up these assignments until a week before the exam, you will not be successful in this class. I would like to caution that these materials are for practice only and memorizing the questions will not guarantee you success in this class. To be successful in this class, you need to learn to **think rather than memorize**. Since the lectures and the resources will not be limited with the book and I will place a great emphasis on what we cover during class and the materials posted on Blackboard, it is extremely important that you go over all the materials posted on Blackboard.

I will not be handing out any of the class materials (power point slides, non-graded assignments, extra practice questions, and summary sheets) in class. All these will be available through Blackboard. You are responsible for timely download of the materials. I will also use Blackboard to make class announcements. You will receive an email notification each time an announcement is posted. It is your responsibility to regularly check the announcements and uploads on Blackboard.

Also, the slides posted on Blackboard are not a complete record of what I say or do in class, so coming prepared to class, attending lectures, and taking notes are advised to successfully complete the course. If you miss a lecture, the solutions to the power point slides will not be available in Blackboard. You will need to ask for a friend's note or you can confirm with me your answer **only** if you bring me your own solutions.

The class period will typically be taken up by lecture and questions addressed to students (to understand student preparation for class), but questions from students are also encouraged. However, if I feel that a question leads us too far afield and would be discussed outside of class, I will say so.

You may also ask me your questions over the email. However, in your emails, you need to write me specifically the question and also your thought process and then I will lead you where you are doing the mistake. I will try to respond those emails within 24 hours. Most times if it is not feasible to give a comprehensive answer to questions sent to me by e-mail, I will ask you to come to my office hours.

MARSHALL GUIDELINES

GRADE APPEALS

Regrades must be requested within one week of the day the exam was returned to the class. The student must submit a written and precise explanation of why he/she thinks the grade should be modified. The entire exam will be regraded and the final mark may go up or down.

Returned paperwork, unclaimed by a student, will be discarded after 4 weeks and hence, will not be available should a grade appeal be pursued by a student following receipt of his/her course grade.

TECHNOLOGY POLICY

Videotaping faculty lectures is not permitted due to copyright infringement regulations.

Audiotaping may be permitted but please ask for my permission. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

ADD/DROP PROCESS

This class will remain open enrollment (R-clearance) for the first three weeks of the semester. If there is an open seat, students will be freely able to add a class using Web Registration throughout the first three weeks of the term. If the class is full, students will need to continue checking Web Registration to see if a seat becomes available. There are no wait lists and the professor cannot add students. See USC guidelines here:

http://www.usc.edu/dept/publications/cat2012/private/pdf/2012_2013/academic_policies_12.pdf

1) Waitlist. There are no centralized wait lists for Marshall undergraduate courses. Although there are no wait lists, the Undergraduate Advising Office provides a system by which students can indicate their interest in enrolling in classes that are currently full in order to track demand and manage classroom space effectively.

2) Dropping Students. The professor may drop any student who, without prior consent, does not attend the first two class sessions. The instructor is not required to notify the student that s/he is being dropped.

ACADEMIC CONDUCT

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Section 11, *Behavior Violating University Standards* <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate->

sanctions. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the *Office of Equity and Diversity* <http://equity.usc.edu> or to the *Department of Public Safety* <http://capsnet.usc.edu/department/departement-public-safety/online-forms/contact-us>. This is important for the safety of the whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. *The Center for Women and Men* <http://www.usc.edu/student-affairs/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage <http://sarc.usc.edu> describes reporting options and other resources.

STATEMENT ON ACADEMIC INTEGRITY

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, (www.usc.edu/scampus or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A.

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/>. Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

STATEMENT FOR STUDENTS WITH DISABILITIES

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. For more information visit www.usc.edu/disability.

Students requesting test-related accommodations will need to share and discuss their DSP recommended accommodation letter/s with their faculty *at least three weeks before* the date the accommodations will be needed. Additional time may be needed for final exams. Please note that a reasonable period of time is still required for DSP to review documentation and to make a determination whether a requested accommodation will be appropriate.

SUPPORT SYSTEMS

Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students. *The Office of Disability Services and Programs* www.usc.edu/disability provides certification for students with disabilities and helps arrange the relevant accommodations. If an

officially declared emergency makes travel to campus infeasible, *USC Emergency Information* <http://emergency.usc.edu> will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

EMERGENCY PREPAREDNESS/COURSE CONTINUITY

In case of a declared emergency if travel to campus is not feasible, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies.

Please activate your course in Blackboard with access to the course syllabus. Whether or not you use Blackboard regularly, these preparations will be crucial in an emergency. USC's Blackboard learning management system and support information is available at blackboard.usc.edu.

TENTATIVE COURSE SCHEDULE

This is our tentative schedule. When necessary, changes will be announced on Blackboard.

1	Jan 13 Tuesday	Introduction to Course Policies Chapter 1: Introduction to Financial Management
2	Jan 15 Thursday	Chapters 4 & 5: The Time Value of Money and DFC Approach
3	Jan 20 Tuesday	Chapters 4 & 5: The Time Value of Money and DFC Approach
4	Jan 22 Thursday	Chapters 4 & 5: The Time Value of Money and DFC Approach Chapters 2: Financial Statements, Taxes, and Cash Flows
5	Jan 27 Tuesday	Chapters 2: Financial Statements, Taxes, and Cash Flows
6	Jan 29 Thursday	Chapter 3: Working with Financial Statements
		<i>Jan 30 is the last day to drop a class without W.</i>
7	<u>Feb 3 Tuesday</u>	Chapter 3: Working with Financial Statements Chp 10 Section 10.6: Some Lessons from Capital Market History Financial Markets (TIME VALUE OF MONEY PROJECT DUE BY 10 PM)
8	Feb 5 Thursday	Chapter 6 Section 6.6 & 6.7: Interest Rates Review for Exam 1
9	<u>Feb 10 Tuesday</u>	<u>Midterm Exam 1 (chapters 1, 2, 3, 4, 5)</u>
10	Feb 12 Thursday	Chapter 6 Section 6.6 & 6.7: Interest Rates Chapter 6 Section 6.1 through 6.5: Bonds and Their Valuation
11	Feb 17 Tuesday	Chapter 6 Section 6.1 through 6.5: Bonds and Their Valuation
12	Feb 19 Thursday	Chapter 6 Section 6.1 through 6.5: Bonds and Their Valuation Chapter 11: Return, Risk, and Security Market Line

13	Feb 24 Tuesday	Chapter 11: Return, Risk, and Security Market Line
14	Feb 26 Thursday	Chapter 11: Return, Risk, and Security Market Line Chapter 7: Stock Valuation
15	March 3 Tuesday	Chapter 7: Stock Valuation
16	March 5 Thursday	Chapter 7: Stock Valuation Chapter 10 Section 10.1: Some Lessons from Capital Market History Chapter 12: Cost of Capital
17	March 10 Tuesday	Chapter 12: Cost of Capital
18	<u>March 12 Thursday</u>	Chapter 12: Cost of Capital Chapter 8: Net Present Value and Other Investment Criteria (CAPM/BOND PROJECT DUE BY 10 PM)
19	<u>March 17 Tuesday</u>	<u>No Class-Spring Recession</u>
20	<u>March 19 Thursday</u>	<u>No Class-Spring Recession</u>
21	March 24 Tuesday	Review for Exam 2
22	<u>March 26 Thursday</u>	<u>Midterm Exam 2 (chapters 10.1, 10.6, 6, 7, 11 and Fin Mkts)</u>
23	March 31 Tuesday	Chapter 8: Net Present Value and Other Investment Criteria
24	April 2 Thursday	Chapter 8: Net Present Value and Other Investment Criteria Chapter 9: Making Capital Investment Decisions
25	April 7 Tuesday	Chapter 9: Making Capital Investment Decisions
26	April 9 Thursday	Chapter 9: Making Capital Investment Decisions
	<i>April 10 is the last day to drop a class with W.</i>	
27	April 14 Tuesday	Chapter 15: Raising Capital
28	April 16 Thursday	Chapter 13: Financial Leverage and Capital Structure
29	April 21 Tuesday	Chapter 13: Financial Leverage and Capital Structure
30	<u>April 23 Thursday</u>	Chapter 14: Dividends and Payout Policy (CAPITAL BUDGETING PROJECT DUE BY 10 PM)
31	April 28 Tuesday	Final Exam Review
32	April 30 Thursday	Speaker

May 6-13: **Final exams week. Final Exam is cumulative and covers all the chapters we did in class. All the chapters and/or concepts are equally weighted.**