

FIN 5437
FINANCE I: Asset Valuation, Risk and Return

Course Syllabus
Fall 2016 Term - Module 2

COURSE INSTRUCTOR

Professor John C. Banko, Ph.D., CFA
Lecturer of Finance

Office: David Stuzin Hall, Room 321

Office Hours: Announced weekly

Phone: (352) 392-6395

E-mail: john.banko@warrington.ufl.edu

COURSE OVERVIEW AND OBJECTIVES

This course is the first of two modules of the finance core. Taken together, these two modules are designed to serve two purposes. First, every business masters student should be familiar with a set of financial concepts and tools that are essential to managing a business. Finance I and II expose all students—regardless of their intended concentration—to a body of information that will help them to succeed as general managers. Second, these two courses provide a foundation for students planning to take further elective courses in finance, insurance, and real estate.

The format of Finance I is primarily lecture and discussion, with real-world assignments to make the linkage with business operations and to gauge your understanding of the material. The topics presented often involve detailed numerical calculations, which may be intimidating to some students. While this “number crunching” is essential to ensure that you can analyze the data systematically, the more important purpose of the finance core is to instill in students a useful set of concepts and a reference framework that can be used to evaluate business decisions in a rational, coherent manner.

Finance I is intended to provide students with:

- An understanding of selected key finance concepts,
- An opportunity to discuss contemporary financial events as they occur, and
- An appreciation of the challenges in applying financial concepts to real-world situations.

COURSE MATERIALS

1. The primary text for the course will be *Brigham and Ehrhardt, Financial Management, 14th Edition*. You can purchase an older edition without any real loss of information (certainly back to the 12th ed. is fine). All of the course material will refer to the 14th Edition.
2. Excel/Calculator. You must have access to Excel. You may also have access to a financial calculator. Many of the exam and course problems involve complex financial calculations. Excel is an extremely useful tool and I highly encourage its use. Indeed, several exam problems cannot be solved with just a financial calculator. However, at the very least, a financial calculator is necessary to solve them.

If you are not familiar with Excel, UF has an excellent training tool available for you – lynda.com. Go to the [E-Learning](#) site, and under the Teaching Tools is access to lynda.com. Once you have logged-in, type “Excel 2013 Essentials Training” in the Search box at the top. This will bring you to a 6 hour lesson on using Excel. If you type “Excel 2013” you will see a list of all of the videos available.

COURSE GRADES

Students will be able to access their course grades and their grades for each of the assignments through the Grade Book function of E-Learning. Course grades will be calculated using the following weights:

(Team) Company Report Project	200
(Individual) Exam 1	400
(Individual) Exam 2 (cumulative)	<u>400</u>
	1000

Attendance in class is mandatory. Missing any part of any class will result in a 25 point penalty.

Final course grades will be based on the following numeric scale:

Minimum Points	Course Grade
900	A
850	A-
800	B+
750	B
700	B-
650	C+
600	C
550	C-

500	D+
450	D
400	D-

However, cutoffs for course grades will be adjusted lower, if needed, based on relative standing in the course, such that roughly, the top 30% will get an A or an A-, and all other cutoffs lowered accordingly. Cutoffs will never be adjusted upward. I will post your rank in the course after Exam 1.

COURSE TEAM PROJECTS

A company project this term will be completed in teams of about 4 students. We will setup teams during the first week of the course. I will take your requests (in terms of members), but I may need to mix and match requests.

One of the abilities that any graduate of a business program should have is to be able to evaluate, fully understand the current status and financial health of a company in comparison to other firms within its industry, and value the company. The graduate should also have a clear understanding of the international/national economic climate, how it has changed over the last several years, what expected changes are in store for the future, and how all of this can impact the value of an industry and the firms within the industry. Finally, all graduates should be familiar with those resources that are available to help them understand the relative position and financial condition of firms in today's world.

To help you develop this ability, each team will be responsible for performing a financial analysis and evaluation of a company that is part of the S&P 500 (the company must also have a reasonable amount of debt outstanding -- Apple and many drug companies have no debt) and presenting the results of their analysis in a written report.

You may wish to consider some of the following factors when creating your report; that is, although you do not have to explicitly discuss some of these topics within the report, they may have an impact on your view of the company.

1. The economic climate.
2. Industry analysis.
3. Firm analysis:
 - a. Overview:
 - The company: description of its major businesses, size, where it is located, etc.
 - Recent earnings and stock price performance over time, relative to peers and the market.
 - b. Company's management team and corporate governance:
 - Background of management.
 - Assessment of performance.
 - Board of Directors.
 - Ownership profile.
 - Compensation policies.

- c. Other Issues --- e.g. takeover defenses, dissident shareholders etc.
- d. Detailed financial analysis --- tear the numbers apart: income statement, balance sheet, capital structure, dividend policy, capital budgeting expenditures, R&D, pension liabilities, impact of union contracts, credit rating, funding requirements, ROE, ROA, stock price, growth, legal problems, etc. What's good? What's bad?
- e. Financial comparison to the industry.
- f. Potential consequences of future economic conditions.
- g. Strengths, weaknesses, opportunities, and threats (SWOT) analysis.
- h. Overall summary of the firm's financial condition, your outlook for the future, and what the major issues are going forward that an investor and/or the company should consider.
- i. Estimate of the intrinsic value of the company's stock and your team's view as to the correctness of the firm's current stock price --- discuss assumptions, the pricing models you used (DCF, multiples, etc.), and conclusions.

The completed analysis must be submitted in electronic form (a PPT posted to the Assignments section of our course in E-Learning) on Wednesday, November 30th, by 11:59 p.m.

Peer reviews are also required, for a selection of the other teams' projects, uploaded to canvas by Monday, December 5th by 11:59 p.m. Instructions, assignment, a standard form, and team reports will be posted to the class website closer to the assignment date. Failure to complete all of the required peer reviews will result in a 50 point penalty.

EXAMS

We will have two exams. The exams will be cumulative (mostly due to core concepts). Both exams will be given during regularly scheduled class times in the same classroom. There won't be any make-up exams. If you miss the first exam with a valid excuse, the last exam will count as 80% of your course grade. You cannot miss the final exam. Simply missing an exam without explanation will result in a zero for that exam.

The exam schedule is as follows:

Exam 1:	Thursday, November 17 th	In-class
Exam 2:	Thursday, December 15 th	1:55pm - 3:50pm, Hough Hall 240

For each exam, you are permitted to use Excel or a financial calculator. You may also use a 1-page (8½ x 11 inch) note sheet. The note sheet may include anything you want, and you can use both sides of the note sheet. You may also download the Formula Sheet to your laptop. Essentially, any material on your laptop is fairly acceptable, including pre-built spreadsheets.

ACADEMIC HONESTY

The University of Florida Policy on Course Syllabi requires a section on academic honesty to be included in all syllabi:

The Academic Honesty Guidelines at the University of Florida are designed to develop and engender a community of honor, trust and respect. The academic community of students and faculty at the University of Florida strives to develop, sustain and protect an environment of honesty, trust and respect. Students within the system receive the benefits of the academic pursuit of knowledge, free from the obstacles of lying, cheating and stealing. In return, the Academic Honesty Guidelines demand that students act with integrity in all of their endeavors. Exhibiting honesty in academic pursuits and reporting violations of the Academic Honesty Guidelines will encourage others to also act with integrity. Every student who approaches their studies with honesty and forthrightness suffers when another student attains an unfair advantage by cheating.

An academic honesty offense is defined as the act of lying, cheating, or stealing academic information so that one gains academic advantage. As a University of Florida student, one is expected to neither commit nor assist another in committing an academic honesty violation. Additionally, it is the student's duty to report observed academic honesty violations.

STUDENTS WITH DISABILITIES

Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation.

COURSE SCHEDULE

Week One			
Date	Day	Chapter	Assignment / Activity
10/24/2016	Monday		
10/25/2016	Tuesday	1,4	Course introduction, Time Value of Money
10/26/2016	Wednesday		
10/27/2016	Thursday	4	Time Value of Money
10/28/2016	Friday		

Week Two			
10/31/2016	Monday		
11/1/2016	Tuesday	5	Bonds, Bond Valuation, and Interest Rates
11/2/2016	Wednesday		
11/3/2016	Thursday	5,6	Bonds, Bond Valuation, and Interest Rates
11/4/2016	Friday		

Week Three			
11/7/2016	Monday		
11/8/2016	Tuesday	6,25	Risk, Return, & Portfolio Theory (recorded)
11/9/2016	Wednesday		
11/10/2016	Thursday	6,25	Risk, Return, & Portfolio Theory (recorded)
11/11/2016	Friday		

Week Four			
11/14/2016	Monday		
11/15/2016	Tuesday	7	Review R&R, start Equity Valuation
11/16/2016	Wednesday		
11/17/2016	Thursday	7	Continue Equity Valuation, then Exam 1
11/18/2016	Friday		

Week Five			
11/21/2016	Monday		
11/22/2016	Tuesday	7	Complete Equity Valuation (Likely recorded)
11/23/2016	Wednesday		
11/24/2016	Thursday		No Class - Thanksgiving Break
11/25/2016	Friday		

Week Six			
11/28/2016	Monday		
11/29/2016	Tuesday	2 & 3	Financial Statements
11/30/2016	Wednesday		** Company Reports due, uploaded to Canvas
12/1/2016	Thursday	9, 10, 11	Cost of Capital and Project Analysis
12/2/2016	Friday		

Week Seven			
12/5/2016	Monday		** Peer Evaluations due, uploaded to Canvas
12/6/2016	Tuesday	9, 10, 11	Cost of Capital and Project Analysis
12/7/2016	Wednesday		
12/8/2016	Thursday	10-11	Project Analysis
12/9/2016	Friday		

Week Eight			
12/12/2016	Monday		
12/13/2016	Tuesday		
12/14/2016	Wednesday		
12/15/2016	Thursday		Exam 2, 1:55pm - 3:50pm, Hough Hall 240
12/16/2016	Friday		