

FIN 5437
FINANCE I: Asset Valuation, Risk and Return

Course Syllabus
Summer A 2017 Term

COURSE INSTRUCTOR

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

Class Location HGS 140
M,W periods 4-5 (12:30p – 3:15p)

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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 graduate business 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 TO PURCHASE FROM BOOKSTORE / ONLINE

1. The primary text for the course will be:
Brigham and Ehrhardt, *Financial Management*, 14th Edition
2. Harvard Cases, Thompson Asset Management & Polar Sport.
3. Excel/Calculator. You must have access to Excel or a financial calculator to get through the course. Many of the exam and course problems involve complex financial calculations. Excel is an extremely useful tool and I highly encourage its use. At the very least, a financial calculator is necessary to solve them. You should learn both! I will focus on Excel. But many of the FIN 5437/5439 instructors only allow a financial calculator.

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 Project 1 (TAM)	100
Team Project 2 (Polar Sport)	100
Midterm Exam	400
Final Exam	<u>400</u>
	1000

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 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. I will post your rank in the course after the first midterm.

Attendance in class is mandatory. An unexcused absence from any part of any class will result in a 25 point penalty.

TEAM PROJECT 1 – THOMPSON ASSET MANAGEMENT

You and your team need to read the case Thompson Asset Management and develop a 1-page (single-sided or double-sided) handout that the firm would use to summarize its investment philosophy and the performance for the two funds it operates. These are known as “tear sheets”. You can (kind of) see examples of such 1-page documents by googling “sample tear sheet”.

I realize this is likely the first time many of you have tackled such an assignment. Your primary job is to get the numbers right – calculate the various portfolio fund performance measures as outlined in the case (correctly) and think about how to present them in a meaningful way.

The case includes a spreadsheet with all of the data. It includes a 10-stock optimizer. Use of the 10-stock optimizer is, of course, up to you.

The only deliverable for this assignment is your 1-page tear sheet.

The completed tear sheet must be submitted in electronic form (a PDF posted to the assignments section of our course in E-Learning) by 11:59p on Friday, May 26th.

Peer reviews are also required (assignments will be posted), due at 11:59p on Wednesday, May 31st, posted to the assignments section of our course in E-Learning. A standard form will be posted to the class website, along with all of the team reports. Failure to complete all of the required peer reviews will result in a 50 point penalty.

TEAM PROJECT 2 – POLAR SPORT

For this assignment, you and your team need to read the Polar Sport and address (1) how the change from a season production system to a level production system will impact the financial statements, and (2) address concerns from management about their current arrangement for short-term financing. Specifically, for item (2), does management need to change its arrangement with its bank?

There are two deliverables:

- (1) Updated spreadsheet
- (2) 1-page memo to management discussing your results

The completed analysis must be submitted in electronic form (a ZIP file containing the Excel spreadsheet and 1-page memo posted to the assignments section of our course in E-Learning) by 11:59p on Tuesday, June 13th.

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:

Midterm 1:	Monday, May 23 rd	In-class
Midterm 2:	Wednesday, June 15 th	In-class

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. I will also provide some formulas, ratios, etc. That will be posted to the class website – you may download and print or access an electronic copy on your laptop during the exams.

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.

In this course, exams must be completed as individual exercises. You may not work with others in any capacity on these.

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
5/8/2017	Monday	1,4	Intro, Time Value of Money
5/9/2017	Tuesday		
5/10/2017	Wednesday	4	Time Value of Money
5/11/2017	Thursday		
5/12/2017	Friday		

Week Two			
5/15/2017	Monday	6	Risk and Return, Portfolio Theory, Asset Pricing
5/16/2017	Tuesday		
5/17/2017	Wednesday	6	Risk and Return, Portfolio Theory, Asset Pricing
5/18/2017	Thursday		
5/19/2017	Friday		

Week Three			
5/22/2017	Monday	6	Midterm Exam 1 (1:15 - 3:15)
5/23/2017	Tuesday		
5/24/2017	Wednesday	5	Bonds and Bond Valuation, start Equity Valuation
5/25/2017	Thursday		
5/26/2017	Friday		

Week Four			
5/29/2017	Monday		* University Holiday - No Class *
5/30/2017	Tuesday		
5/31/2017	Wednesday	7	Equity Valuation, Free Cash Flow
6/1/2017	Thursday		
6/2/2017	Friday		

Week Five			
6/5/2017	Monday	2,3	Financial Statement Analysis
6/6/2017	Tuesday		
6/7/2017	Wednesday	2,3,9	Financial Statements & Cost of Capital
6/8/2017	Thursday		
6/9/2017	Friday		

Week Six			
6/12/2017	Monday	10-11	Project Analysis
6/13/2017	Tuesday		
6/14/2017	Wednesday		Midterm Exam 2 (12:30 - 2:30)
6/15/2017	Thursday		
6/16/2017	Friday		