

FINANCE 325

Syllabus - Autumn 2010

Professor details:

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TA details:

Chang Liu
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Office hours: Monday 10:35-11:35 am

Class details:

Tu and Th 10:35 – 11:50 am, Todd 420
<http://www.cb.wsu.edu/~nwalcott/finance325>
Office hours: Tuesdays 12:00 – 1:00 pm

Course Objectives:

You will learn the basic tools of finance. We will start with how to value distant and uncertain cash flows and move through understanding risk and applying the tools to make investment decisions for a firm and yourself. We will also survey the fundamental drivers of financing policy in a corporation and you will learn how stocks and bonds are valued and how financial markets interact with businesses. Unless you understand finance, you cannot have a thorough understanding of a company's decision-making process. What you learn in this course will help you understand the operations of your future employer (and enable you to be more successful at your job), and help you understand other companies you encounter in your role as competitor, consultant, or investor.

Optional Material:

- Brealey, Myers and Marcus, **Fundamentals of Corporate Finance**, Irwin/McGraw-Hill, 6th Edition, 2009.

My lectures will cover all of the material that you will need to know for the course. Because some students like to refer to a textbook for additional clarification, I have annotated the lecture schedule with the corresponding chapters in this textbook. A copy will be placed on reserve in Terrell/Holland Library, and of course is available for purchase in the Bookie.

Recommended Material: (also see below under helpful hints)

- A subscription to **The Wall Street Journal** (comes with free access to WSJ-online)

Helpful Hints:

Finance is not a difficult subject to learn if you keep up with the material weekly. You will not be able to understand the advanced concepts without investing time in learning the fundamentals. Perhaps more so than other subjects, finance is difficult to learn by cramming. If you do not do any work for the first three weeks of the course, you may find yourself lost for the remainder of the course.

- Spend an hour each day on this course outside class (or two hours every other day). You will spend less time in total and understand the material better than if you try to do it all the night before an exam.
- If you are serious about getting a business education, you should be subscribing to the *Wall Street Journal*. It may not have the greatest sports section, but it is the authority on what's going on in the business world. If you get into the habit of reading the WSJ regularly (which most finance professionals do), then you will be much more knowledgeable and interview better. Interviewers do ask questions designed to determine whether you're paying attention to what's happening in current business affairs.

Office Hours:

If you have been attending class but are still falling behind, visit me during my office hours. I have scheduled office hours so that you can be sure that I will be in my office if you trek over to Todd Hall. I have formal office hours on **Tuesdays** from **12:00 pm** to **1:00 pm**. I will hold additional office hours in the week prior to an exam. If you need to see me, but cannot attend scheduled office hours, e-mail, call, or see me for an appointment (give me alternative times that would be convenient for you). These meetings will be much more productive if you come well prepared, and you can express your difficulties in terms of a specific problem or concept covered in class.

Chang (the TA) also has separate office hours from 10:35am to 11:35am on Mondays which you are welcome to attend.

Grading:

The course grade is based on two midterm exams (20% each), a final exam (25%), the best 3 of 4 quizzes (5% each) and 2 cases (10% each). There will also be extra credit available for students who attend the Brinson Lecture on September 9th (see below).

The target distribution for this course sets the median course grade at a B-/C+.

Exams:

The midterms and a final exam together constitute 65% of your final grade. Please make a note of these exam dates and plan to be in class for these exams. Make up exams will be given only under very unusual and unavoidable circumstances. Treat these test dates as you would an important meeting in the business world—that means that unless you are actually hacking-up a lung, you had better be there.

- MIDTERM EXAM #1: Tuesday, September 28
- MIDTERM EXAM #2: Thursday, October 28
- FINAL EXAM: Friday, December 17, 10:10 am – 12:10 pm, Todd 420

The exams will be closed book and closed notes; however, **you will be given a formula sheet with all of the necessary financial formulae.** Financial calculators will also be allowed during the exams. Given that the material covered on each midterm exam provides a framework for understanding the material in the remainder of the course, the exams will be cumulative. However, each exam will focus heavily on the material covered since the last exam.

The graded midterms will be distributed at the end of class one week after it is given. Solutions will be made available the same day on the course website.

Quizzes:

There will be 4 in-class quizzes given during the semester, and the best three quiz scores will each count for 5% of your grade. They will be closed book and closed notes, but all formulas required for the quiz will be given to you. The quizzes will be given at the beginning of class, and you will be given roughly 20 minutes to complete each quiz. Quiz solutions will be made available the same day on the course website. **Quizzes cannot be rescheduled or made up**, and you ***must*** be present in class to take each quiz.

Cases:

There will be **two cases** assigned. Each case will be worth 10% of your grade. The cases must be completed in groups of 5-6 people. The cases have two objectives. First, some of the material cannot be adequately tested in an exam environment and therefore it is important to give you some incentive to learn that material. In addition, group projects give you the opportunity to work as part of a team to complete a successful project. If you feel that a member of your group has not contributed to the completion of the case, write me a memo stating so and signed by the other group members.

Brinson Lecture (September 9th):

Every year, the WSU finance department brings in a notable guest speaker for a lecture, and this lecture is open to students. This semester, the lecture is scheduled on Thursday, September 9th from 1:30-2:45pm. Any student who attends the Brinson Lecture will earn 5 extra credit points to be added to his/her first midterm exam.

Handouts/Notes Policy:

I will usually present the material on the white board during class, which means you will be taking notes during most classes. I will also occasionally distribute review question handouts that will be covered in the following class. You must be in class to get the lecture notes and handouts from me. If you miss class, you are free to copy these notes and handouts from fellow classmates; however, as a *strict* course policy, I do not provide these handouts or lecture notes outside of class.

During the few classes that I use overhead notes, I will provide these to you via the class website. Please print them and bring them with you during these classes.

Re-grading Policy:

I will work hard to ensure that the same partial credit is allocated to the same partially correct answer on each exam. Occasionally, mistakes are made in grading, and I'm eager to correct mistakes subject to the following limits. If you believe that there was a mistake in the grading of your exam, *within one calendar week* following the return of the exam, submit the original exam and a separate *written explanation* of the points of contention to me. If the re-grade request is made after one calendar week or without an accompanying written explanation, no re-grade will be given. *There are no exceptions to the preceding rule.* YOUR ENTIRE EXAM WILL BE REGRADED. This means that in the unlikely event that I find more scoring errors that were in your favor than against you, your re-grade score could actually be lower. All re-grade decisions are *final*.

Special Arrangements and Exam Conflicts:

Students with Disabilities: Reasonable accommodations are available for students with a documented disability. If you have a disability and may need accommodations to fully participate in this class, please visit the Disability Resource Center (DRC). All accommodations **MUST** be approved through the DRC (Washington Bldg, Room 217). Please stop by or call 509-335-3417 to make an appointment with a disability specialist. The DRC website is <http://www.drc.wsu.edu>.

Documented evidence that you were seriously ill at the scheduled time of an exam or quiz is the only valid excuse for missing an exam or quiz. In order to be excused from an exam, you must contact me *prior to the exam* and be ready to provide me with documentation after the exam.

A student who misses the final exam (with a valid excuse) will receive a grade of "incomplete" for the semester. After the student takes the make-up exam on the scheduled date, I will change the incomplete to the earned course grade. If a student fails to show up for the make-up exam, he/she will receive a zero for the exam.

Academic Misconduct:

I take academic misconduct cases very seriously. Any student found in violation of academic regulations (as defined by the WSU Office of Student Conduct) will automatically receive an F in the course and will be reported to the Office of Student Conduct, with no exceptions.

Safety on WSU Campus: The WSU Provost's Office has issued the following statement:

The University has developed a resource in support of our commitment to the safety of students, faculty, staff, and visitors. The Campus Safety Plan, which can be found at <http://safetyplan.wsu.edu>, contains a comprehensive listing of university policies, procedures, statistics, and information relating to campus safety, emergency management, and the health and welfare of the campus community. I ask that all faculty, staff, and students visit this website as well as the University emergency management website at <http://oem.wsu.edu/emergencies> to become familiar with the campus safety and emergency information provided. Faculty members should provide these links to students by mentioning them in class, including them in every course syllabus, and posting them on course websites. Additionally, I ask that all faculty discuss classroom emergency information with their students for each individual classroom or laboratory where they teach. Everyone should also become familiar with the WSU ALERT site (<http://alert.wsu.edu>) where information about emergencies and other issues affecting WSU will be found. This site also provides information on the communication resources WSU will use to provide warning and notification during emergencies. It should be bookmarked on computers. Finally, all faculty, staff, and students should go to the myWSU portal at <http://my.wsu.edu> and register their emergency contact information for the Crisis Communication System (CCS). Enter your network ID and password and you will be taken to the myWSU main webpage. Look for the Emergency Notification box on the right side of the page and click on Register to be taken to the registration page where you can enter you cell, landline, and email contact information.

Course Schedule:

Class Session	Date	Topic	Readings
1	8-24	Introduction to Finance	Chpt 1, Chpt 2, Chpt 3 Stock Market Case
2	8-26	Financial Intermediaries	
3	8-31	Time Value of Money	Chpt 5.1-5.2, 5.5
4	9-2	Perpetuities and Annuities	Chpt 5.4
5	9-7	Perpetuities and Annuities	
6	9-9	Time Value of Money and Inflation	Chpt 5.6
7	9-14	Time Value of Money and Inflation	
8	9-16	Valuation of Bonds	Chpt 6
9	9-21	Valuation of Bonds	
10	9-23	Catch-up/Exam Review	
11	9-28	Midterm Exam #1	
12	9-30	Net Present Value Criterion	Chpt 8.1
13	10-5	Capital Budgeting	Chpt 9
14	10-7	Capital Budgeting	
15	10-12	Alternatives to NPV	Chpt 8.2
16	10-14	Issues in Capital Budgeting	Chpt 8.3, Chpt 10.4
17	10-19	Issues in Capital Budgeting	
18	10-21	Valuing Stock	Chpt 7.1-7.5
19	10-26	Catch-up/Exam Review	
20	10-28	Midterm Exam #2	
21	11-2	Risk and Return	Chpt 11.1- 11.3
22	11-4	Risk and Return	Chpt 11.4-11.5
23	11-9	Risk and Return	Chpt 12.1-12.2
24	11-11	VETERAN'S DAY – No class	
25	11-16	Capital Budgeting with Risk	Chpt 12.3, Chpt 13
26	11-18	Capital Budgeting with Risk	
27	11-23	THANKSGIVING BREAK – No class	
28	11-25	THANKSGIVING BREAK – No class	
29	11-30	Capital Budgeting with Risk	
30	12-2	Capital Structure	Chpt 16
31	12-7	Capital Structure	
32	12-9	Efficient Mkts and Mutual Funds	Chpt 7.6, 7.7
	TBA	Final Exam Review Session	
	12-17	Final Exam	