

2013

300-07 Business Finance

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Xavier University
FINC 300-07: Business Finance - Spring 2013

Instructor: Tim Kruse

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Office Hours: Monday/Wednesday 1:30 to 4:00

Office: 232 Smith Hall

Office Phone: 513-745-3075

Class Meets: MW 4:00-5:15pm

Mission of the Williams College of Business:

We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.

The Williams College of Business has chosen to emphasize the following learning goals in its undergraduate business curriculum.

1. **Critical Thinking:** WCB graduates will be able to think logically, reason quantitatively, and utilize appropriate analytical techniques and technology when evaluating and making decisions.
2. **Ethics and Social Responsibility:** WCB graduates will be able to recognize ethical issues, discern moral implications of decision making, and be prepared, and willing, to serve as responsible and professional members of society.
3. **Effective Written and Oral Communication:** WCB graduates will be able to organize, support and communicate ideas clearly and effectively, employ multiple mediums of communication (e.g., written, oral and visual), and adapt communication to audience, context or purpose.
4. **Global Perspective and Cultural Diversity:** WCB graduates will appreciate the historical and cultural contexts of the world in which they live, demonstrate the competencies required for engaging in global business activities, and respect and value diverse peoples and perspectives.
5. **Understanding and Application of Knowledge Across Business Disciplines:** WCB graduates will be able to evaluate business from an integrative and holistic point of view, leverage the synergies between functional business areas, and demonstrate college-level mastery of their chosen discipline.

Personal and Professional Development: WCB graduates will be well-prepared for their future careers and appreciate the importance of continuous professional development and life-long learning.

Course Objectives: This course is designed to introduce students to financial management and convey an understanding of the role of finance in the management scheme of modern organizations. In particular, I will focus on the big decisions that are typically made by corporations. The course will also introduce students to spreadsheets and sources of financial information on the web. The course is designed to prepare those students with an interest in additional finance courses with the foundation needed to continue in the curriculum. Ultimately my goal is to help students understand how finance will affect them professionally and personally. Additionally, I will spend some time covering the important finance related topics in the news.

Student Learning Outcomes: After completing this course students should be able to: Distinguish between debt and equity, analyze and calculate common financial ratios, apply time value of money formulas, value stocks and bonds, estimate cash flows, evaluate an investment decision, estimate a firm's cost of capital, discuss the role of risk in investment and financing decisions, and discuss firms' capital structure and dividend policies.

Course Materials: Ross, Westerfield, and Jordan, *Essentials of Corporate Finance*, whatever edition, McGraw-Hill/Irwin and McGraw-Hill Connect. I will post additional materials including articles and Power Points on Blackboard.

Connect course info: http://connect.mcgraw-hill.com/class/t_kruse_spring_2013_1

I expect students will also be aware of the top finance stories of the day. Bloomberg (www.bloomberg.com) and Yahoo! Finance (finance.yahoo.com) are two of many free sites with good finance news coverage. WSJ.com also has some free content, particularly market data.

Prerequisites: Finance 300 students must have completed Accounting 200. Also a strong background in mathematics, especially an ability to do algebraic manipulation is important.

Classes: Each class will be a mix of lecture/presentation, discussion, and group problem solving. You are encouraged to participate through questions and comments. Bring your calculator and textbook to each class meeting to ensure active learning. The typical class meetings will begin with a short discussion of issues raised in the news.

Some of the topics covered in this course deals with the gray areas of financial management/policy making. Ideally, class discussions will lead us to “good answers” in place of “right answers”. PLEASE ASK QUESTIONS. If no one is asking questions, I can only assume that everyone understands the material. Thus, participation and preparation are critical.

Attendance is not mandatory, however, it is strongly recommended. While I do provide PowerPoint slides, there will be “holes” in them. Students are responsible for all in-class announcements (which will be in the first few minutes of class) and schedule changes.

Blackboard: All lecture notes and supplementary materials will be available on Blackboard. **It is your responsibility to check announcements on Blackboard regularly** – I will assume that everyone has access to Blackboard and either checks their campus e-mail regularly or forwards the e-mail to another account.

Personal technology: Generally, please keep classroom disturbances to a minimum. In particular, texting/playing games/Facebook updates during class is becoming a real problem. I reserve the right to adjust your grade as I see fit for repeated tardiness or disturbances. In addition, please turn off all cell phone ringers and pagers before you come into class. We can make exceptions for emergency situations; just apprise me of the situation before class begins.

It is the student's responsibility to obtain a usable calculator before the first exam – **no smart phones are allowed during exams NOR may they be visible in any way.**

Xavier University policies regarding privacy rights, incomplete work and attendance, and academic honesty will be strictly enforced. If an incident of academic dishonesty occurs, the most severe disciplinary action will be taken. Please see the current University catalog.

Homework: The homework will be completed using McGraw-Hill Connect. Typically, there will be one assignment per chapter and will be due two days after we complete the material. Students having difficulty with the problems are encouraged to see me. I will have Connect provide solutions on the date they are due. Therefore, **NO** late assignments will be accepted under any circumstances. If you are sick or have some other documented absence, I will prorate your scores on the remainder of the assignments.

Students with disabilities: Students with disabilities who need special arrangements in classes and exams must inform the instructor as soon as possible but no later than the week before the first midterm.

Grading: I will provide theoretical grade distributions following the first two exams.

Exams (3 at 100 points each)	300 points
<u>Connect assignments</u>	<u>75 points</u>
Total	375 points
Adjustment for texting in class	up to negative 40 points

Exams: Exams most likely will be a mixture of short essay questions, True/False/MC questions, and problems. Partial credit is given on exams and all work must be shown on the problems.

Questions Regarding Grading: Any questions regarding grading of assignments or exams must be addressed within one week of return of the graded assignment or exam to the student.

Make-Up Exams: All exams must be taken on the date specified in the course calendar unless approval of a make-up exam is granted **PRIOR** to that date by the instructor. Without prior approval, make-up opportunities are limited to documented emergencies. The instructor discretion is used in determining whether a situation constitutes an emergency. The sooner you contact me about any problems, the better your chances of working something out. It will be the student's responsibility to schedule a time for a makeup exam before the next class meets – no exceptions.

Extra credit: To ensure fairness, no individual extra credit work is available.

Important Dates

January 21 (Monday) – Martin Luther King Day – no class

February 13 (Wednesday) – test 1

February 25 & 27 – spring break – no class

March 27 (Wednesday) – test 2

April 1 (Monday) – Easter break – no class

April 29 (Monday of Finals week) – test 3 from 4 to 5:50 p.m.

Topic List (subject to change)

1. Overview of Finance – Chapter 1
2. Overview of financial statements – Ch 2, Sections 1 to 3
3. Working with financial statements – Ch 3
4. Time Value of Money – Chapter 4
5. Discounted Cash Flow Valuation – Chapter 5
6. Interest Rates and Bond Valuation – Chapter 6
7. Equity Markets and Stock Valuation – Chapter 7
8. Net Present Value etc – Chapter 8
9. Making Capital Investment Decisions – Chapter 9
10. Capital Market History – Chapter 10
11. Risk and Return – Chapter 11
12. Cost of Capital – Chapter 12
13. Payout policy - Chapter 14
14. Raising capital – Chapter 15

Some good books for outside reading

Michael Lewis: *Liar's Poker*
The Big Short

Andrew Ross Sorkin: *Too Big To Fail*

Roger Lowenstein
Buffett: The Making of an American Capitalist
When Genius Failed: The Rise and Fall of Long-Term Capital Management

Edward Chancellor: *Devil Take the Hindmost: A History of Financial Speculation*

Andy Kessler
Wall Street Meat
Running Money: Hedge Fund Honchos, Monster Markets and My Hunt for the Big Score

Carmen Reinhart and Kenneth Rogoff: *This Time is Different: Eight Centuries of Finance Folly*

Edwin Lefevre: *Reminiscences of a Stock Operator*

John Mauldin and Jonathan Tepper: *Endgame: The End of the Debt Supercycle and how it Changes Everything* (www.mauldineconomics.com generally)

At Business Finance Services we specialise in all aspects of commercial and restructuring finance. The Daily Telegraph reports that, according to the Financial Conduct Authority (FCA), investors in cryptocurrencies like Bitcoin should take great care to ensure that they understand and can bear the risks involved with assets that have no intrinsic value. It pointed out that the majority of cryptocurrency investing is unregulated and would not be covered by the Financial Services Compensation Scheme, which pays out if certain types of investment collapse. Financing a business is always a challenge. Here we've compiled 10 techniques, including factoring, from the tried-and-true to the experimental. By Inc. Staff. CREDIT: Getty. Factoring is a finance method where a company sells its receivables at a discount to get cash up-front. It's often used by companies with poor credit or by businesses such as apparel manufacturers, which have to fill orders long before they get paid. However, it's an expensive way to raise funds. Companies selling receivables generally pay a fee that's a percentage of the total amount. If you pay a 2 percent fee to get funds 30 days in advance, it's equivalent to an annual interest rate of about 24 percent. For that reason, the business has gotten a bad reputation over the 9 Ways to Finance a Business. Every year, thousands of people start companies. While their businesses may be different, all of these people have one thing in common: they all had to raise money to finance their company to get the business off the ground and to cover corporate expenses. This short guide addresses the most common ways to finance your business, along with some important caveats that you should keep in mind. It is written specifically for small and mid-sized business owners who have no desire to become financial experts but just want the facts the bottom line. The basics Deb