

FNCE 3410: Fundamentals of Finance (3 credits)
Loyola Marymount University
Fall 2016

Time and Location: Mon & Wed, 8:15-9:30AM, Hilton 107

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Office Hours: Monday: 11:15am-noon, Tuesday: 8am-noon, Wednesday: 11:15am-12:30pm or by appointment.

Required Materials:

1) Ross, Westerfield, and Jordan, Fundamentals of Corporate Finance, McGraw-Hill Irwin, 11th ed. Available for rental as an e-book for \$125 at:

<http://shop.mheducation.com/highered/product.1259291855.html>

2) Schill, Michael J., “Ben & Jerry's Homemade,” UVA Case #F-1364 (2003), available for download (at a cost of \$6.25) at: <http://store.darden.virginia.edu/ben-jerrys-homemade>

Course Prerequisites:

ACCT 2120; ECON 105 or 110 AND 120; ECON 230; Math 112 or 131, all with a minimum grade of C (2.0)

Course Description:

This course introduces students to fundamental financial decisions made by various types of organizations. The principal objective of the course is for students to develop an understanding of the basic tools of financial analysis. The topics of valuation by discounting, long-term investment decisions, and risk and required return will be emphasized.

Learning Outcomes:

This course contributes to student achievement of the following CBA core learning outcomes:

- Students will demonstrate understanding of the core concepts in finance.
- Students will accurately utilize quantitative techniques to model and evaluate business decisions.
- Students will demonstrate critical thinking skills by defining, modeling, analyzing and evaluating complex business problems.

Upon completion of this course, students should successfully demonstrate the following finance course learning outcomes:

- Value a stream of cash flows, whether from a corporate project or a financial instrument, such as a stock or bond.
- Understand the relationship between risk and return and the benefits of diversification.
- Identify the relevant cash flows to evaluate an investment opportunity.
- Estimate a cost of capital (or required rate of return) for capital budgeting decisions.
- Identify the importance of a firm's capital structure, and analyze the effect of debt finance on the risk and required return of equity holders.
- Understand the factors that determine a firm's dividend policy and analyze methods of working capital management.

Excel assignments:

Learning to use Excel is an important part of this course. I will assign Excel tutorial videos on Lynda.com as homework (you have access to this website via MYLMU). I will also teach certain Excel functions relevant to finance in class. There are 4 Excel assignments that will be embedded into the homework sets.

Excel, as well as other Microsoft Office products, is free to LMU students via www.office.com/getoffice365 . Click on “Find out if you’re eligible” and enter your LMU email address. You will receive an email with a link to create your account and access Office 365.

Homework and quizzes:

Doing homework is crucial to success in this class. There will be 12 homework sets throughout the semester. Homework will be collected and checked for completeness, but only one to two random problems from the homework set will be graded. Full credit will only be awarded if you show all your work on the problems.

Part of your homework assignments includes buying and selling securities in a web-based stock market simulation called StockTrak. More information about how to purchase an account will be provided during the semester.

There will be five in-class quizzes to test your mastery of the homework assignments. You can drop the lowest score of the five quizzes.

Exams:

There will be three exams in this course, two midterms and one final. All exams are closed book and closed notes. However, I will provide you with a formula sheet for each exam. Since exam dates are set in advance, if you anticipate a conflict with a religious holiday or a university officially-sanctioned activity, you should notify me at least one week in advance for a rescheduling. No other make up exams will be given. If you miss a midterm exam for LMU-approved reasons, you will have to take a comprehensive final exam, and replace your missed mid-term exam grade with your final exam grade. Missing an exam for non-LMU approved reasons will result in a grade of zero for that exam.

Participation:

Active participation is important in understanding and retaining class materials. You will be graded on the quantity and quality of your participation. Participation accounts for 15% of your total grade.

Individual meetings:

I would like to meet with each of you individually during the first three weeks of the course. Each meeting will last 10 minutes, and its purpose is for me to get to know you a little better and answer any questions you may have about the class. Before the meeting, I would like to see a copy of your resume. We will meet in my office, Hilton 250.

Workload expectations:

This is a 3 credit course. As such, you are expected to complete at least 6 hours of work outside of class per week. Even though these hours will vary from week to week, on average you will spend 1 hour on reviewing lectures and in-class practice problems, 2 hours on homework problem sets, 1 hour on Excel videos/ assignments, and 2 hours on readings and preparations for the next class.

Grading scheme:

Your final grade will be based on the following component weights:

Midterm exam 1	15%	Quizzes (top 4 of 5)	12%
Midterm exam 2	15%	Homework assignments (12 sets)	12%
Final exam	25%	Mutual fund prospectus assignment	3%
Participation	15%	Ben and Jerry's assignment	3%

Use of technology:

The financial calculator is *required* for use in this class. It will simplify the calculations and allow you to focus on understanding the intuition of the problem. I recommend the Texas Instruments BA II Plus, which typically costs \$30 on Amazon.com. I will teach how to use this calculator in class.

Electronic devices in the classroom:

Please silence all phones before class. Do not use your phone during class for texting, email. I also do not allow computers in the classroom. This is distracting to you and other students in the class.

Academic Honesty:

Academic dishonesty will be treated as an extremely serious matter with severe consequences that can range from receiving no credit for assignments/tests, failing the class, to expulsion. It is never permissible to turn in any work that has not been authored by the student, such as work that has been copied from another student or copied from a source (including Internet) without properly acknowledging the source. It is your responsibility to make sure that your work meets the standard set forth in the "Academic Honesty Policy" (see <http://academics.lmu.edu/honesty>.)

Special Accommodations:

Students with special needs who require reasonable modifications, special assistance, or accommodations in this course should promptly direct their request to the Disability Support Services (DSS) Office. Any student who currently has a documented disability (ADHD, Autism Spectrum Disorder, Learning, Physical, or Psychiatric) needing academic accommodations should contact the DSS Office (Daum Hall 2nd floor, 310-338-4216) as early in the semester as possible. All discussions will remain confidential. Please visit <http://www.lmu.edu/dss> for additional information.

Tentative Nature of the Syllabus:

If necessary, this syllabus and its contents are subject to revision; students are responsible for any changes or modifications announced or distributed in class or posted on LMU's course management system MYLMU Connect

TENTATIVE Course Schedule

Date	Topic	HW assignments due
Aug 29 (Mon)	Syllabus and course overview	
Aug 31 (Wed)	Chpt 1 - Introduction to corporate finance	
Sep 5 (Mon)	No classes – Labor Day Holiday	
Sep 7 (Wed)	Chpt 5 - Time value of money	HW set 1
Sep 12 (Mon)	Chpt 5 - Time value of money	HW set 2
Sep 14 (Wed)	Chpt 6 - Time value of money. Quiz 1	HW set 3
Sep 19 (Mon)	Chpt 6 - Time value of money	
Sep 21 (Wed)	Chpt 7 - Interest rate and bond valuation. Quiz 2	HW set 4
Sep 26 (Mon)	Chpt 7 - Interest rate and bond valuation	
Sep 28 (Wed)	Exam 1 review – Q&A	HW set 5
Oct 3 (Mon)	Exam 1	
Oct 5 (Wed)	Chpt 8 - Stock valuation	HW set 6
Oct 10 (Mon)	Chpt 8 - Stock valuation	
Oct 12 (Wed)	Ben & Jerry's case	Ben & Jerry's assignment
Oct 17 (Mon)	Classroom game – Asset trading	
Oct 19 (Wed)	Chpt 9 - NPV and other investment criteria.	HW set 7
Oct 24 (Mon)	Chpt 9 - NPV and other investment criteria. Quiz 3	
Oct 26 (Wed)	Chpt 10 - Making capital investment decisions	HW set 8
Oct 31 (Mon)	Chpt 10 - Making capital investment decisions	
Nov 2 (Wed)	Chpt 11 - Sensitivity analysis. Quiz 4	HW set 9
Nov 7 (Mon)	Exam 2 review – Q&A	
Nov 9 (Wed)	Exam 2	
Nov 14 (Mon)	Chpt 12 - Some lessons from capital market history	
Nov 16 (Wed)	Chpt 13 - Risk and return	HW set 10
Nov 21 (Mon)	Chpt 13 - Risk and return	
Nov 23 (Wed)	No classes – Thanksgiving Holiday	
Nov 28 (Mon)	Efficient markets/ Behavioral investing/ Mutual funds	HW set 11
Nov 30 (Wed)	Chpt 14 - Cost of capital	Mutual fund prospectus assignment
Dec 5 (Mon)	Chpt 14 - Cost of capital/ StockTrak conclusion. Quiz 5	
Dec 7 (Wed)	Chpt 16/17 - Capital structure/ dividend payout/ Course review/ Final exam review/	HW set 12
Dec 12 (Mon)	Final Exam: 8am-10am	