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BADM 322.04: Business Finance

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The University of Montana
School of Business Administration
Department of Accounting and Finance

Course: Badm 322: Business Finance

Semester: Fall 2002

Section: 01: TR 9:40-11:00 GBB L09

Professor: Tony Crawford

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E-Mail: tony.crawford@business.umt.edu

Office Hrs: T 12:00 – 2:00
 W 10:00 – 12:00
 And By Appointment

Web Site: <http://www.business.umt.edu/Faculty/Crawford/default.htm>

Course Materials:

Text: Ross, Westerfield and Jordon, Essentials of Corporate Finance, 3rd Edition, Irwin 2001. (Required)

Handout Materials: Supplemental materials and problems may be distributed in class from time to time.

Financial Press: Wall Street Journal (Recommended)

Financial Calculator: You do not need a financial calculator to solve the problems in this course. All problems can be done by hand with formulas provided in the text. However, I recommend that students learn to use a HP-10BII financial calculator. Developing a comfort with this calculator will help you to solve more real world problems and will be necessary in higher level Finance courses.

Course Objective:

This course is a junior level introductory course to the field of business finance. Finance is a broad topic and a full introduction to Finance would require introductions to investing, banking, risk management, and corporate financial management. This course will concentrate on corporate financial management. Fortunately there are three fundamental pillars of Finance that extend to all sub fields of Finance. The first pillar is the time value of money, the second is asset valuation and the third is risk management. Many of the tools we develop and the analysis we use is general enough to extend to other areas of finance. A strong understanding of these fundamentals is required for those continuing on to other finance courses. For those not continuing in finance the course provides a necessary introduction to the financial implications of strategic business decisions.

The course provides a fundamental introduction into the mathematics of finance, in particular the time value of money, and the determinants of value. This course will provide students the opportunity to apply these financial tools to such financial management decisions as the allocation of corporate funds, (investment decisions), raising funds, (financing decisions), and day-to-day working capital management. While the emphasis of the material is corporate financial management, the course's primary emphasis is on the determinants of value. Therefore, much of the material in this class can be extended to investment management and other related areas of finance.

Course Homework, Quizzes, and Exams:

Quizzes:	7 @ 20 Points each, lowest score is dropped	120
Homework	6 @ 4 Points each, lowest score dropped	20
Final Exam:		40
Misc.	Following Instructions	5
Total		185

Quizzes:

There will be 7 quizzes given during the course of the semester. Quizzes will consist of 10 (2 point) multiple choice questions worth 20 points in all. The quizzes are scheduled on the attached course calendar. Make-up policy: quizzes are given in class and there will be no make-ups without a legitimate and documented excuse. If you are unsure of what constitutes a legitimate excuse reference the student code of conduct handbook. Your lowest score will be dropped so that only 6 scores will count. If you have to miss quizzes for non-excused reasons (i.e. friends weddings, camping trips etc) you can drop that zero as your lowest score.

Homework:

I have chosen select end of chapter questions to be turned in during class. The due dates are as listed in the course schedule. The questions tend to be assigned early in their respective chapter coverage in order to force you to come prepared to class. The grading will be a simple 4 point scale: (4 if your answer is complete and accurate, 3 if the answer is complete and mostly accurate, 2 for a decent try with errors and 1 point if you turned something in). These questions are not necessarily the most important material for any given section; rather, they are assigned to force you to be prepared.

Final Exam:

A 30 question multiple-choice exam will be given finals week and will cover the material from the following chapters:

Chapters 4,5,6,7,8,9,18

Getting Help:

If you have any questions on the material and/or problems assigned you have several options:

- (1) Visit me during office. If you cannot see me during office hours see me after class about setting up an appointment.
- (2) For simple questions, call me in my office or email me at the address above.
- (3) If deemed necessary we may schedule help sessions outside of class to help you with problems.

Pre-requisites:

Students registered for this course should be juniors or higher in standing and have completed the lower core requirements for the school of business. In the past I have found a very strong correlation between those students struggling with the course material and those students who have not completed the course pre-requisites. Unfortunately the registration process does not filter for pre-requisites. Undoubtedly some of you are registered without having completed the appropriate preliminary course work. I am therefore requiring students to show proof that they have completed course pre-requisites. I will not check all pre-requisites. The courses for which I want proof of completion include:

Accounting 201 and 202

Economics 111 and 112

Proof of completion consists of transcripts or grade sheets. Proof can be made in class or in office hours but must be made before Oct. 1st. Failure to show proof may result in you being dropped from the class roster.

E-mail Address

I will not post any scores. Instead I will distribute scores via e-mail. I will need you to register your preferred e-mail account if you want to receive grades.

Badm 322
Schedule

Week 1:

Tuesday, September 3rd
Thursday, September 5th

I. Introduction

Chapter 1: Introduction

Review:

Critical Thinking: 1,2,3,4,5,6,10,12,14

Week 2:

Tuesday, September 10th

Chapter 2: Financial Statements

Review:

Critical Thinking: 2,3,4,5,6,7,8,9,10

Problems:1,2,3,4,5,6,7,11,12,13,14,15,18,19,21,
22

Thursday, September 12th

Financial Statements Continued

Week 3:

Tuesday, September 17th

Chapter 3: Financial Statement Analysis

Review:

Critical Thinking: 1,2,3,7,9

Problems:4,6,7,8,10,16,17,19,23,26,28,29

Homework 1: Chapter 2 (2,6)

Thursday, September 19th

DuPont Model

Homework 2: Chapter 3 (28, 29)

Week 4:

Tuesday, September 24th

Chapter 4: Introduction to Time Value of Money

Review: Critical Thinking: All

Problems: All

Quiz 1

Thursday, September 26th

TVM I Continued

Week 5:

Tuesday, October 1st

Chapter 5: Discounted Cash Flow Valuation

Review:

Critical Thinking: All

Problems: All

Quiz 2

Thursday, October 3rd

No Class

Week 6:
Tuesday, October 8th
Thursday, October 10th

TVM II Continued
Chapter 10: Financial Markets

Review:

Critical Thinking: 2,3,4,5,6,7,8,9,10
Problems: 1,2,3,4,7,8,9,12,14,16,24,25

Quiz 3

Week 7:
Tuesday, October 15th

Chapter 11: Risk and Return

Review:

Critical Thinking: 1,2,3,4,5,6,7,8
Problems: 1,2,3,4,5,6,7,9,10,12,13,15,14,27,28

Thursday, October 17th

CAPM

Week 8:
Tuesday, October 22nd

Efficient Markets

Homework 3: Chapter 11 (28)

Thursday, October 24th

Chapter 6: Bond Valuation 144-169

Review:

Critical Thinking: 2,4,5,6,7,12
Problems: 1,2,3,4,5,6,7,8,17,18,19,21,24,27

Quiz 4

Week 9:
Tuesday, October 29th

Chapter 7: Stock Valuation

Review:

Critical Thinking: 1,2,4,6,11
Problems: 1,2,3,4,7,8,10,14,15,16,17,19,21-25

Thursday, October 31st

Catch Up

Homework 4: Chapter 7 (6,16)

Week 10: (The End!!!!)
Tuesday, November 5th

Movie: Dot Con

HW 5 TBA

Thursday, November 7th

Chapter 8: Capital Budgeting

Review:

Critical Thinking: 1,2,3,5,6
Problems:
1,3,5,6,7,8,9,10,11,12,14,16,17,24,25,26

Quiz 5

Week 11: Tuesday, November 12th	Capital Budgeting Continued
Thursday, November 14th	Chapter 9: Cash Flow in Capital Budgeting Review: Critical Thinking: 1,2,3,5,6,8,9 Problems: 1,2,3,4,5,6,8,9,10,15,21,22,23,24 Homework 6: Chapter 8 (10,14)
Week 12: Tuesday, November 19th	Chapter 16: Working Capital Review: Critical Thinking: 1,2,3,5,6,10 Problems: 1,2,3,4,5,6,7,8,10,11,13,16,17
Thursday, November 21st	Quiz 6 Working Capital Continued
Week 13: Tuesday, November 26th	Chapter 17: Short Term Financial Management Review: Critical Thinking: 1,2,3,4,6,7,8,15,16,18 Problems: 1,2,3,4,5,6,7,8,9,10,11,12
Thursday, November 28^h	No Class Thanksgiving
Week 14: Tuesday, December 3rd	Catch Up Quiz 7
Thursday, December 5th	Chapter 18 International Finance Review: Critical Thinking: 1,2,3,,5,6,8,9 Problems: 1,2,3,4,5,6,7,11,14,15
Week 15: (The End!!!!) Tuesday, December 10th Thursday, December 12th	International Finance Cont. Wrap Up