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BADM 322.03: 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 2003

Sections: 03: TuTh 12:40 - 2:00 GBB 123

Professor: Bruce A. Costa, Ph.D.

Office: GBB 318

Email: bruce.costa@business.umt.edu

Office Phone: 243-6155

Office Hrs: TuTh 11:00 to 12:30, other times available by appointment.

Web page: www.business.umt.edu/faculty/Costa/default.asp

Teaching Assistant: Christie Page

Email: Christie.page@business.umt.edu

Office: GBB 348

Office Hours: TBA

Office Phone: 243-6831

Text Books:

S.A. Ross, R.W. Westerfield, and B.D. Jordan, Essentials of Corporate Finance,
4th Edition, Irwin McGraw-Hill 2004. (Required)

Financial Press: Wall Street Journal, Business Week, and/or Barrons (Recommended)

Financial calculator:

You do not need a financial calculator to solve the problems in this course, nor do you need a pencil, however having both will really make this course a lot easier! I recommend that students learn to use the Texas Instruments BAI PLUS financial calculator. Becoming familiar with this calculator will help you to solve more real world problems. This is one of two calculators used in the finance department and is the one that I will be using for the course.

Course Objective:

This course is a junior level introductory course to the field of business finance. The course provides a fundamental introduction into the mathematics of finance 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. A strong understanding of these fundamentals is required for future courses.

Course 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-reqs.

Unfortunately the registration process does not filter for pre-reqs. Undoubtedly some of you are registered without having completed the appropriate preliminary course work. I strongly recommend that if you have not taken the following courses that you drop this course now. The pre-requisites are:

Accounting	201 and 202
Econ	111 and 112

If you are taking any of these courses concurrently, please come see me. Success in this class is strongly correlated with having satisfactorily completed the above courses.

Exams and Assigned Problems:

Exams (4) Four exams are scheduled. There is no comprehensive final. However material covered early in the semester will appear in later chapters. Your best exam of the four will be weighted 28% and the other 3 will each be weighted 24% of your final grade.

Exams

Exam format will consist of multiple choice problems. Exam questions will be closely related to the assigned problems, and problems done in class.

NOTE: Exam 3 is scheduled for the Tuesday before Thanksgiving. There will be no early or late exams given because of travel plans. Please plan all your travel such that it will not preclude you from taking the exam that day.

Assigned Problems

These are questions and problems from the text that I think you should be able to complete for test purposes. These problems will not be collected, but solutions will be made available on my course web page. The solutions to these problems are provided to you so that you can check your work and prepare for the exams. Finance involves numbers, therefore I ***strongly recommend*** completing the assigned problems and the Chapter Review and Self-Test Problems found at the end of each chapter. Regular

attendance and completing the assigned problems will provide a good foundation for successfully completing the course.

The text book also has the answers, but not the solutions, for all odd numbered questions. You can never do too many problems in this course! If you would like to go over your answers, please come by during office hours to review your work.

Attendance:

I can not overstate the importance of regular attendance. If you feel that you will not be able to attend class regularly, then this is not the course for you. Even though I post the notes on the web, you will still need to be in class to learn the material. While I will not take attendance on a regular basis, I will occasionally take attendance to see who is in class. I will also use this record of attendance to compute how much of the final curve at the end of the semester you will receive along with any curve on each exam.

For example, say the curve at the end of the semester is 1.6 points and I took attendance 4 four times during the semester. If you signed the attendance roll four times you would get 1.6 points added on to your final average. If you were here only twice when I took attendance you would get $(2/4)*1.6 = 0.8$ points added to your final grade. I reserve the right to take attendance as often as I choose and the final curve if any, is solely at my discretion.

Classroom Philosophy:

My Role: My role will be to act as a facilitator. I will provide opportunity, structure and direction to facilitate your learning of fundamental concepts centered on the concepts of financial management

Your Role: Your role is to engage in active learning. You will learn and apply important financial concepts while you gain experience. Your success in this class, as in life, will depend on both your effort and performance.

Miscellaneous: Students frequently regard this course and finance courses in general as some of the most difficult ones in the business curriculum. There are several tips that I can offer to not only help you pass this course but to learn something along the way. **First, come to class---** there is a very strong relationship between attendance and grades. **Second,** read the chapters and prepare answers to the assigned problems **before** coming to class. **Third,** it is impossible to make sure every individual understands each concept. If you are struggling with a concept, please come see me outside of class. Please, **do not wait** to see me until just before, or worse, just after an exam. At this point it is too late to do much if any good. Finally there are no dumb questions, so feel free to ask for clarification. I maintain an open door policy and am willing to meet with you nearly anytime that I do not already have a commitment.

A Final Thought:

Over 2400 years ago Confucius said:

What I **hear**, I forget.

What I **see**, I remember.

What I **do**. I understand.

A wise and humble professor of mine at FSU modified Confucius' statement to be more relevant in today's classroom environment:

What I **hear**, I forget.

What I **hear and see**, I remember a little.

When I **hear, see, and ask questions about or discuss** with someone else, I begin to understand.

When I **hear, see, discuss, and do**, I acquire knowledge and skill.

When I **teach to another** I master.

Our goal is to learn. Let us all remain cognizant of how the process really works.

***The faculty and staff of the School of Business Administration at
The University of Montana-Missoula are committed to excellence
in innovative experiential learning and professional growth
through research and service.***

The following course schedule is an outline that we will follow throughout the semester. It is subject to change and you should not assume that it is written in stone!

**BADM 322 Business Finance
Course Schedule - Fall 2003**

Week	Date	Day	Topic	R/W/J 4th Edition	Assignment
1	2-Sep-03 4-Sep-03	Tuesday Thursday	Introduction to Course - Outline	Chapter 1	Critical Thinking and Concept Review: 1,2,3,5,6,8,9,10,11, and 12
2	9-Sep-03 11-Sep-03	Tuesday Thursday	Financial Statements, Taxes and Cash Flows	Chapter 2	Questions and Problems 1,2,6,7,8,9,10,11,12,13,15,17,19, and 20
3	16-Sep-03 18-Sep-03	Tuesday Thursday	Working with Financial Statements	Chapter 3	Questions and Problems 1,8,10,11,12,13,17,18,22,23,24,28, and 29
4	23-Sep-03 25-Sep-03	Tuesday Thursday	Introduction to Valuation	Chapter 4	Questions and Problems 1 thru 15
5	30-Sep-03 2-Oct-03	Tuesday Thursday	Exam 1 Chapters 1-4 Discounted Cash Flow Valuation	Chapter 5	Questions and Problems 1 thru 27 odd
6	7-Oct-03 9-Oct-03	Tuesday Thursday	Interest Rates and Bond Valuation	Chapter 6	Questions and Problems 1,3,4,5,6,10,11,13,14, and 18
7	14-Oct-03 16-Oct-03	Tuesday Thursday	Equity Markets and Bond Valuation	Chapter 7	Questions and Problems 1 thru 12
8	21-Oct-03 23-Oct-03	Tuesday Thursday	Exam 2 Chapters 5-7		
9	28-Oct-03 30-Oct-03	Tuesday Thursday	Net Present Value Valuation and Decisions	Chapter 8	Questions and Problems 3,5,7,9,10,11,12,13,14,17,18, and 20
10	4-Nov-03 6-Nov-03	Tuesday Thursday	Making Capital Investment Decisions	Chapter 9	Questions and Problems 2,3,4,5,8,9,10,11,14,16,17,18,19, and 20
11	11-Nov-03 13-Nov-03	Tuesday Thursday	Veteran's Day No classes Some Lessons from Capital Market History	Chapter 10	Questions and Problems 4,5,7,9,10,11,16,17, and 19
12	18-Nov-03 20-Nov-03	Tuesday Thursday			
13	25-Nov-03 27-Nov-03	Tuesday Thursday	Exam 3 Chapters 8-10 Thanksgiving Day No Classes		
14	2-Dec-03 4-Dec-03	Tuesday Thursday	Risk and Return	Chapter 11	Questions and Problems 1-6,10,13,14,15,16,17,19,20,24, and 28
15	9-Dec-03 11-Dec-03	Tuesday Tuesday	Cost of Capital	Chapter 12	Questions and Problems 1 thru 25 odd and 12
16		Finals Week	Section 3 Tuesday December 16th 3:20-5:20	Chapters 11-12	

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