CALIFORNIA STATE UNIVERSITY SAN MARCOS
COLLEGE OF BUSINESS ADMINISTRATION

FIN 304 (03)  INTRODUCTION TO CORPORATE FINANCE

TR 1:00pm – 2:50 p.m., MH201

Fall 2015

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Phone: 760-750-4282
Email: qsun@csusm.edu
Office Hour: by appointment

Course Pre-requisite:  Financial Accounting & Statistics
Concise Edition, 7e, Thomson South-Western
Recommended Reading:  The Wall Street Journal

Financial Calculator

You must have a financial calculator to get through the course. Many exam questions involve complex arithmetic and financial calculations. A financial calculator is necessary to solve them. TI BAII PLUS is recommended. You are responsible for learning how to operate your financial calculator. It is critical that you are familiar with your calculator by the time we begin the time value of money discussion. Calculator tutorial materials for TI BAII PLUS will be posted on Cougar Courses (https://cc.csusm.edu)

Learning Objectives and Learning Outcomes

This course is designed for all business majors and thus focuses on the core principles of corporate finance. No matter what your role in a corporation, an understanding of why and how financial decisions are made is essential. As a result, the chief objective of this course is to provide an extensive coverage of fundamental finance knowledge that is necessary for (1) a business manager trying to maximize the value of his firm; (2) an investor seeking to make intelligent investment choices.

I will begin by introducing core finance ideas every student should be familiar with, including financial markets, time value of money, determinants of interest rates, the basics of risk and return analysis, and the basics of bond and stock valuation. Next, I will discuss how corporations implement core finance ideas in their investing and financing practice. The cost of capital, capital budgeting, capital structure and dividend policy will be discussed.
Upon completing the course, students will gain a solid understanding of the following:

(1) Fundamental Concepts in Corporate Finance
   - Discuss how businesses are organized
   - Understand the primary goal of a corporation
   - Define agency problem and discuss the importance of corporate governance
   - Explain how financial markets and institutions enhance capital allocation
   - Conduct corporate performance analysis with financial ratios
   - Conduct time value of money analysis
   - Discuss interest rate determinants
   - Define yield curve and discuss how it helps forecast future interest rates

(2) Valuation of Bonds and Stocks
   - Discuss what determines a bond’s price and why bond price changes over time
   - Calculate a bond’s yield to maturity and yield to call
   - Explain the risks bond investors and issuers face
   - Discuss the distinction between a stock’s price and its intrinsic value
   - Estimate a stock’s intrinsic value with discounted dividend model and corporate model
   - Calculate the return stock investors expect to earn

(3) Risk, Return and Cost of Capital
   - Estimate risk on stand-alone basis and in a portfolio context
   - Calculate expected rate of return and required rate of return
   - Discuss capital asset pricing model
   - Estimate the cost of different capital components
   - Calculate the weighted average cost of capital (WACC) used in capital budgeting

(4) Investing in Long-Term Assets: capital budgeting
   - Identify and estimate a project’s relevant cash flows and risks
   - Conduct capital budgeting analysis with criteria such as payback, NPV, IRR & MIRR
   - Discuss the strength and weakness of the commonly used real investment proposal analysis techniques

(5) Capital structure, Debt and Dividend Policy
   - Compare and contrast operating leverage and financial leverage
   - Discuss the analytical framework used to determine the optimal capital structure
   - Explain why firms tend to have different capital structures
   - Discuss the trade-offs companies face when establishing their optimal dividend policies.

Course Materials

All course materials, including lecture notes, handouts, homework and important announcements, will be posted on Cougar Courses. Students are responsible for keeping current with course progress. Please check Cougar Courses in a timely manner to get the most recent updates.

Class Procedure

Lectures will be supplemented with in-class discussion and demonstration of problem solving. My lecture will focus on the key points addressed in each chapter. Students should thoroughly read the assigned chapters after class.
Grading

The final course grade will be jointly determined by your performance in the following grading categories. Bonus project or assignment to improve final grade is not available. Students need to earn at least 70pts to pass the class.

<table>
<thead>
<tr>
<th>Grading Category</th>
<th>Points</th>
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<tbody>
<tr>
<td>Writing Assignment</td>
<td>5</td>
</tr>
<tr>
<td>Homework</td>
<td>15</td>
</tr>
<tr>
<td>Exam 1</td>
<td>25</td>
</tr>
<tr>
<td>Exam 2</td>
<td>30</td>
</tr>
<tr>
<td>Exam 3</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>105</strong></td>
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(1) Writing Assignment

It is university policy that each course has a writing requirement with a minimum of 2,500 words. In this course, you will fulfill the writing requirement through the completion of an essay on topics assigned in class.

You should write your essays as concise as an executive summary, but not at the expense of thoroughness. Therefore, your essay should include extensive and thorough discussion of the assigned topic. Your writing should include a cover page that clearly lists the number of words in the essay. Make sure your essay contains no spelling or grammar mistakes.

Please notice that an essay containing fewer than 2,500 words will receive a grade of zero.

(2) Homework

The purpose of homework is to help you gain better understanding of the course materials.

Mistakes are opportunities to learn. Therefore you should clearly show how you develop your answers. Accordingly, credits will be awarded on correct answers and on a student’s good faith effort to solve the assigned problems.

Since homework will be graded on both correctness and completeness, I do not offer proof-check of a student’s HW before its due date.

Submit your homework on-line via Cougar Courses. Late work will not be accepted.

(3) Exams

There are three close-book exams this semester. Exam questions are based on all materials discussed in class (not limited to lecture note examples).

You must have a valid excuse to miss any of the exams and to take a makeup exam. If you do not have a valid excuse for missing an exam, your score will be counted as a zero.

In order to be excused from an exam, you must contact me before the exam and provide additional documentation to justify why you are unable to take the exam. Please note that a simple note indicating that you were seen at the health center the day of the exam does not, in and of itself
provide sufficient documentation. Excuses will be granted if you are unable to take the exam because of serious illness or injury, or a significant personal or professional commitment.

Make-up exams must be taken within 1 day before or after the class test date.

(4) Final Course grade

According to departmental grading guidelines, the final course grade should average 2.5 with a permissible margin of +/- 0.3 pts. Grades on the borderlines of 80s and 90s may be assigned pluses or minuses. As a general guideline:

<table>
<thead>
<tr>
<th>Score</th>
<th>Grade Category</th>
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<tbody>
<tr>
<td>&gt;=90</td>
<td>A</td>
</tr>
<tr>
<td>80–89</td>
<td>B</td>
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<tr>
<td>75–79</td>
<td>C’</td>
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<td>70–74</td>
<td>C</td>
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<tr>
<td>60–69</td>
<td>D</td>
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<tr>
<td>&lt;60</td>
<td>F</td>
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Class Schedule (tentative)

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>Sept 1</td>
<td>Introduction (Ch1&amp;2)</td>
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<tr>
<td>Sept 3, 8, 10, 15, 17</td>
<td>Time Value of Money (Ch5)</td>
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<tr>
<td>Sept 22, 24, 29, Oct 1</td>
<td>Financial Statements, Cash Flows, Taxes, and Ratio Analysis (Ch3 &amp; 4)</td>
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<td>Oct 6</td>
<td><strong>Exam 1 (Chapter 1–5)</strong></td>
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<tr>
<td>Oct 8, 13, 15, 20</td>
<td>Bond Valuation and Interest Rates (Ch6, 7)</td>
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<tr>
<td>Oct 22, 27</td>
<td>Stocks Valuation (Ch9)</td>
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<td>Oct 29, Nov 3, 5</td>
<td>Risk and Return (Ch8)</td>
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<td>Nov 10</td>
<td><strong>Exam 2 (Chapters 6–9)</strong></td>
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<tr>
<td>Nov 12, 17</td>
<td>Cost of Capital (Ch10)</td>
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<td>Nov 19, 24, Dec 1</td>
<td>Capital Budgeting (Ch11&amp;12)</td>
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<tr>
<td>Dec 3, 8</td>
<td>Capital Structure and Dividend Policy (Ch13 &amp; 14)</td>
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<tr>
<td>Dec 10</td>
<td><strong>Exam 3 (Cumulative)</strong></td>
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</table>

1 “Score” refers to the nearest integer before rounding up.
2 No class meeting on Nov 26.
Important Notes

(1) FIN304 is a challenging quantitative class. Prepare yourself for rigorous quantitative problem solving.

(2) You will encounter conceptual questions that require solid understanding of finance concepts and theories.

(3) All course materials and important announcements will be posted to Cougar Courses. You are responsible for updating your collection in a timely manner.

(4) The quantitative and abstract nature of this course makes your individual preparation and study outside class extremely important.
   • Budget 3 to 4 hours outside class for each hour you spend in class.
   • That is an average of 12 to 16 hours per week, excluding class time.

(5) Print out lecture notes ahead of time and take serious notes in class.

(6) I highly recommend reading of assigned chapters to gain familiarity with the topic before class discussion. Attending lectures with questions in mind will greatly assist you extract more from my lectures.

(7) I highly recommend you review your class notes right after class to further strengthen your understanding of the covered topic.

(8) Practice helps improve understanding of course material and build your confidence. I highly recommend you practice all end-of-chapter problems and handout problems.

(9) I do not accept late submission of assignments.

(10) I do not discuss grading/grades over the phone, or via E-mail.

(11) Make-up or extra work to improve your course grade is not available.

(12) Course policy (especially the minimum requirement for passing the class) will be strictly enforced.

(13) Final course grade is solely determined by your performance in the listed grading categories. No special consideration concerning your general academic situation can be offered for assigned grade.

(14) Final course grade, once assigned, will not be changed unless written grade appeal is approved. If you disagree with the assigned final grade, please follow the appeal process and submit a written request with supporting evidence.
Academic Honesty Policy

“Students will be expected to adhere to standards of academic honesty and integrity, as outlined in the Student Academic Honesty Policy. All written work and oral presentation assignments must be original work. All ideas/material that are borrowed from other sources must have appropriate references to the original sources. Any quoted material should give credit to the source and be punctuated with quotation marks.

Students are responsible for honest completion of their work including examinations. There will be no tolerance for infractions. If you believe there has been an infraction by someone in the class, please bring it to the instructor’s attention. The instructor reserves the right to discipline any student for academic dishonesty, in accordance with the general rules and regulations of the university. Disciplinary action may include the lowering of grades and/or the assignment of a failing grade for an exam, assignment, or the class as a whole.”

Incidents of Academic Dishonesty will be reported to the Dean of Students. Sanctions at the University level may include suspension or expulsion from the University

ADA Policy

“Students with disabilities who require reasonable accommodations must be approved for services by providing appropriate and recent documentation to the Office of Disabled Student Services (DSS). This office is located in Craven Hall 5205, and can be contacted by phone at (760) 750-4905, or TTY (760) 750-4909. Students authorized by DSS to receive reasonable accommodations should meet with me during my office hours in order to ensure confidentiality.”