This course is designed for all business majors, and thus will focus on core finance topics.

These core finance topics will be addressed from two points of view: (1) that of an investor who is seeking to make intelligent investment choices, and (2) that of a business manager trying to maximize the value of his or her firm's stock. Both investors and business managers need to understand the same set of principles. Therefore, core finance topics are important to students regardless of what they choose to do after they finish the course.

The first part of the course will cover the core topics in finance, such as the time value of money, financial statements and ratio analysis, the determinants of interest rates, the basics of risk and return analysis, and the basics of bond and stock valuation procedures. The second part of the course will show how the core ideas are implemented in practice, since most students in the course will probably work for a business firm. Included are discussion of cost of capital, capital budgeting, capital structure and dividend policy.

Upon completing the course, students should be able to:

(1) Fundamental Concepts in Financial Management
   - Summarize the primary goal of a corporation
   - Discuss agency problem and the importance of corporate governance
   - Explain how financial markets and institutions facilitate capital allocation
   - Conduct the time value of money analysis

(2) Unlocking the Valuable Information in Financial Statements
   - Explain what information provided by financial statements
Create a statement of cash flow and explain the impact of a firm's activity on its cash position
Evaluate a firm's financial strength and weakness with financial ratios

(3) Determinants of Interest Rates
Discuss and measure the determinants of interest rate
Define term structure and yield curve
Apply Pure Expectation Hypothesis to forecast interest rates

(4) Basics of Bond Valuation
Discuss what determines a bond's price and why bond price changes over time
Calculate the intrinsic value of a bond
Calculate a bond's yield to maturity, yield to call, interest yield, and capital gains yield
Explain the risks involved in bond investment

(4) Basics of Stock Valuation
Compare and contrast stock price and intrinsic value
Value constant growth and nonconstant growth stocks with discounted cash flow method
Calculate the return stock investors expect to earn
Evaluate whether a stock is fairly priced

(5) Basics of Risk and Return Analysis
Calculate risk on stand-alone basis and in a portfolio context
Explain the connection and the difference between stand-alone risk and beta risk
Calculate expected return and required return of individual financial assets and portfolio
Explain the components and finding of capital asset pricing model

(6) Cost of Capital
Estimate the cost of different capital components
Calculate the weighted average cost of capital used in capital budgeting

(7) Investing in Long-Term Assets: Capital Budgeting Analysis
Identify and calculate a project's relevant cash flows
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
Discuss how project risk is measured in different settings

(8) Capital Structure and Dividend Policy
Define and differentiate operating leverage and financial leverage
Discuss the impact of financial leverage on cost of capital components
Calculate cost of equity of a levered company
Discuss the analytical framework used to determine the optimal capital structure
Explain why firms have different capital structures
Discuss the trade-offs companies face when establishing their optimal dividend policies.

**FINANCIAL CALCULATOR**

A financial calculator is necessary to get through FIN304. TI BAII PLUS is recommended and will be used for class demonstration.

Students are responsible for learning how to operate a financial calculator. The brief calculator tutorial for TI BAII PLUS posted on Cougar Courses will help you have a quick start.
It is important to get familiar with financial calculator by the time we complete the study of time value of money. Students should continuously practice the use of financial calculator through the semester.

**Course Materials**

All course materials, such as lecture notes, handouts, assignments, and etc., will be posted on the Cougar Courses. **Students are responsible for keeping current with course progress and deadlines.**

**Class Procedure**

Class lectures will focus on the key concepts and issues addressed for each topic. Students are responsible for reading the textbook thoroughly for details. Lectures are supplemented with demonstration of problem solving and case discussions.

Students should **bring a financial calculator to each class** and participate in working through problem solving. Students are expected and encouraged to provide active and positive contributions to the learning experience of the class.

**Sustained Learning for FIN304**

FIN304 is a quantitative finance course that covers a substantial amount of materials, and is conducted at a demanding pace. FIN304 topics are complicated and thus require continuous review and practice to fully understand.

**Binge studying is ineffective for FIN304**: not only it does not contribute to academic success in FIN304; it creates unnecessary anxiety and stress that lead to unsatisfactory test score.

Students should **adopt a sustained engaged learning approach** for FIN304:

1. **Come to each class prepared**—students should read lecture notes and the assigned book chapters before class to gain familiarity with the to-be-discussed topic. Such pre-class preparation will greatly contribute to the in-class learning and promote better grasp of knowledge, concepts, theories, and analytical tools introduced in class.
2. **Stay engaged in class**—students should print out lecture notes and bring to class for serious note taking.
3. **Review after each class**—students should review both lecture notes and personal class notes to gauge their level of understanding.
4. **Practice after each class**—students should practice related end-of-chapter problems to develop and strengthening their analytical and problem-solving skills.
5. **Communicate with course instructor regularly**—since FIN304 topics develop in depth over time, early learning difficulty, if not addressed on time, will compound and create learning problems too big and too late to solve.

To summarize, students should conduct a **continuous review** of course materials and a **continuous practice** of problem solving to succeed in FIN304. As course instructor, I highly encourage students to communicate with me in a timely manner about their learning difficulties and learning needs. In-person meeting to discuss academic progress is greatly welcomed and recommended.
**Grading**

FIN304 grade is assigned on the basis of the evidence presented in a student’s original work submitted before deadline. Late work or follow-up submission will not be accepted. Course instructor does not give or negotiate grades.

FIN304 final course grade is jointly and solely determined by a student’s academic performance in the areas listed in the following table:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Writing Assignment</td>
<td>5 pts</td>
</tr>
<tr>
<td>Prepared Learning</td>
<td>20 pts</td>
</tr>
<tr>
<td>Exam 1</td>
<td>25 pts</td>
</tr>
<tr>
<td>Exam 2</td>
<td>30 pts</td>
</tr>
<tr>
<td>Exam 3</td>
<td>30 pts</td>
</tr>
<tr>
<td><strong>Total Points</strong></td>
<td><strong>110 pts</strong></td>
</tr>
</tbody>
</table>

FIN304 is not graded on the bell curve. As a general guideline for the assignment of final course grade:

<table>
<thead>
<tr>
<th>Total Points 1</th>
<th>Final Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;93</td>
<td>A</td>
</tr>
<tr>
<td>90-92</td>
<td>A-</td>
</tr>
<tr>
<td>88-89</td>
<td>B+</td>
</tr>
<tr>
<td>83-87</td>
<td>B</td>
</tr>
<tr>
<td>80-82</td>
<td>B-</td>
</tr>
<tr>
<td>75-79</td>
<td>C+</td>
</tr>
<tr>
<td>70-74</td>
<td>C</td>
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<tr>
<td>68-69</td>
<td>D+</td>
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<tr>
<td>63-67</td>
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</tr>
<tr>
<td>60-62</td>
<td>D-</td>
</tr>
<tr>
<td>&lt;60</td>
<td>F</td>
</tr>
</tbody>
</table>

**To pass FIN304, a student must accumulate a minimum of 70 points by the end of the semester.**

(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 university writing requirement through the completion of an essay on the topic assigned in class. Please notice that essays containing fewer than 2,500 words in the main body of discussion will not be graded and will receive a grade of zero.

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1 “Total Points” refers to the nearest integer before rounding up.
Students should write their essays as concise as an executive summary, but not at the expense of thoroughness.

Essay should contain table of content, reference section, and a cover page that clearly lists the number of words in the main body of discussion. It should be formatted properly and free of spelling or grammar mistakes.

Essay will be graded on the basis of quality, demonstrated by its extensive, thorough, and in-depth relevant discussion of the assigned topic, and graded on professionalism, evidenced by its appropriate format and free of spelling or grammar errors. Students may choose any format style, as long as the principles of the chosen style are followed.

(2) Prepared Learning

Before-class preparation is crucial for higher-level thinking and active learning during the class time. These pre-class preparation activities allow students to prepare for class meeting at their own pace and at a time that works the best for them. Valuable class time, as a result, will be spent on explaining content the students found difficult or confusing, and on the interactive and collaborative problem solving practice.

Students will be graded on the completeness, thoroughness, and correctness of their pre-class preparation.

(3) Exams

Exams evaluate a student’s comprehensive understanding of course materials. Students are expected to independently identify and solve problems within the given timeframe.

There are three close-book exams this semester. Exam questions are in the format of multiple choices. Red scantron (available in bookstore) is needed to take exams.

There are three close-book class exams to be held on the following dates: March 2, Apr 18, and May 16.

Students should have a valid excuse to miss any class exam. Make-up exam will be granted only if a student is unable to take the exam as scheduled due to serious illness or injury, a significant personal or professional commitment.

To request a make-up exam, students should notify course instructor of the absence before the scheduled class exam and provide documentations to justify such absence. Please note that a doctor office note indicating that a student was seen at the health center the day of the exam does not in and of itself provide sufficient justification.

Make-up exam is normally scheduled before or within 2 days of the class exam date.

Students are responsible for honest completion of their examinations. There will be no tolerance for infractions. If you believe there has been an infraction by someone in the class, please immediately bring it to the instructor’s attention.

(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. To pass FIN304, a student must accumulate a minimum of 70 points by the end of the semester.
**CLASS POLICIES**

(1) Course instructor reserves the right to modify course syllabus as the semester proceeds. Changes will be announced in class and on Cougar Courses. It is students’ responsibility to be aware of any announced changes, regardless of whether you attended or missed classes.

(2) Class policy, especially the minimum requirement for passing the class, will be strictly enforced.

(3) Students should honestly and independently complete their work as guided by the university’s Academic Honesty Policy (See Academic Honesty Policy section for details). There will be no tolerance to academic dishonesty and plagiarism. If you believe there has been an infraction by someone in the class, please bring it to the instructor’s attention.

(4) All work should be uploaded to Cougar Courses for feedbacks and grading. Late, E-mail, handwritten, or hard copy submission will not be accepted or graded.

(5) Students are responsible for the readability and originality of their work. All submissions will be checked by Turnitin for originality. Therefore, students should type up their work with Excel or Word.

(6) Grading will not be discussed over the phone or via E-mail. Students should attend class review sessions or meet with course instructor for that matter.

(7) Grade is assigned on the basis of the evidence provided by a student’s work. Course instructor does not give out free credit or negotiate grades.

(8) Final course grade is solely determined by a student’s academic performance in the listed FIN341 grading areas. Special consideration concerning a student’s general academic status cannot be granted.

(9) No bonus assignment is offered to individual student for the purpose of improving final course grade.

(10) Students who disagree with the assigned final course grade should submit a written grade appeal with supporting documentations in accordance with university grade appeal policy and process. Course instructor only responds to written grade appeal.

**INCREASE THE LIKELIHOOD OF PASSING FIN304**

Here are some facts about FIN304, which explains the importance of committing enough time on FIN304 study:

(1) FIN304 covers a substantial amount of materials and will be conducted at a demanding pace.

(2) FIN304 is a quantitative class. Prepare yourself for massive amount of calculation.

(3) FIN304 aims at developing critical thinking skills. Students will encounter conceptual questions that require higher-level understanding of finance concepts and theories.

(4) FIN304 students are expected to conduct comprehensive and rigorous quantitative analysis under time pressure.

Therefore, FIN304 requires serious time commitment: you should budget 3 to 4 hours outside classroom for each hour you spend in class. That is an average of 12 to 16 hours per week, excluding class time.
Prepared, engaged, and sustained learning will increase your chance of passing FIN304:

(1) Attending class is must for gaining a thorough and deep understanding of course materials.
   • The chance of pass is minimal if you miss 20% of class lectures or more.

(2) Get prepared ahead of class:
   • Print out and read lecture notes
   • Read assigned book chapters
   • Complete required pre-class activities

(3) Stay engaged in class:
   • Take serious personal class notes
   • Ask questions
   • Participate in-class discussions and problem solving (bring in your calculator all the time)

(4) Review and retain after class:
   • Review class materials and personal notes after each class.
   • Practice as many end-of-chapter problems as possible, if not all.

(5) Seek help in a timely manner

(6) Binge studying does more harm than good! Study continuously please.

Committing enough time is necessary for FIN304 success. However, it does not guarantee a student with 90 hours spent on study receives better course grade than a peer with 60 hours spent. It is important that you study effectively rather than around-the-clock. Take every opportunity to reflect on the outcome of your invested time, and revise your study strategy accordingly.

Consider forming a study group with fellow students who are committed and disciplined. Peer coaching is powerful: if you can teach your peers, it is a sign of your mastery of knowledge and skills. For the best result from group study, there should be fair share of intellectual contribution from each individual. Please remember that students are expected to conduct independent problem solving in tests. Therefore, the student who is a passive listener in the study group may not get the same grade as the student who is the active leader of the study group.

Last but not least, do not hesitate to approach course instructor in a timely manner for help.

**CLASS SCHEDULE (tentative)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 24, 26</td>
<td>Introduction to Corporate Finance (Ch1&amp;2)</td>
</tr>
<tr>
<td>Jan 31, Feb 2, 7, 9, 14</td>
<td>Time Value of Money (Ch5)</td>
</tr>
<tr>
<td>Feb 16, 21, 23, 28</td>
<td>Financial Statements, Cash Flows, Taxes, and Ratio Analysis (Ch3 &amp; 4)</td>
</tr>
<tr>
<td><strong>Mar 2</strong></td>
<td><strong>Exam 1 (Ch1–5)</strong></td>
</tr>
<tr>
<td>Mar 7, 9, 14, 16, 28</td>
<td>Bond Valuation and Interest Rates (Ch6, 7)</td>
</tr>
</tbody>
</table>

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2 No class meeting during spring break Mar 20-25.
Apr 2, 4  Stocks Valuation (Ch9)
Apr 9, 11, 13  Risk and Return (Ch8)
**Apr 18**  Exam 2 (Ch6-9)
Apr 20  Cost of Capital (Ch10)
Apr 25, 27, May 2  Capital Budgeting (Ch11&12)
May 4, 9  Capital Structure and Dividend Policy (Ch13 & 14)
**May 16 (Tuesday)**  Exam 3 (Cumulative) 1:45-3:45pm

**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.”

**STUDENT COURSE GRADE APPEAL POLICY**

If a student disagrees with the assigned final course grade, a written grade appeal should be submitted with supporting documentations. Please follow university’s grade appeal policy and process as follows:
http://www.csusm.edu/policies/active/documents/student_grade_appeals.html