Instructor: Hao-Chen Liu

Office/Phone/E-mail: J.C. LONG 307 / 953-1988 / liuh@cofc.edu

Class Time and classroom:
   Section 05: Tate Center 131, 8:00 a.m. to 9:15 a.m., Tuesdays and Thursdays
   Section 10: Tate Center 131, 1:40 p.m. to 2:55 p.m., Tuesdays and Thursdays

Office Hours:
   10:30 a.m. to 12 p.m. on Mondays; 3 p.m. to 4 p.m. on Tuesdays and Thursdays, or by appointment

Course Description
This course presents the fundamental concepts of corporate finance. Special attention will be given to the financial administrator’s role in the area of working capital, capital budgeting, and financing decisions, including international investment and financial considerations.

Recommended Textbook
*Lessons about the Structure of Finance* by Thomas Downs, Pearson Custom Publishing, 8th Edition. The eBook can be purchased online at

Prerequisites
Junior standing; ACCT 203, 204, ECON 200, 201, MATH 104 or 250, DSCI 232 suggested.

Learning Goals
The goals of this course are for you to learn financial concepts and tools so that you may use finance to analyze financial issues and make financial decisions. You will possess quantitative skills, be aware of important ethical issues in finance, and know the following when you finish this course:

1. To know the goal of financial management and the basic decisions made by financial managers
2. To analyze financial statements and cash flows
3. To use discounted cash flows for stock and bond valuation
4. To use alternative methods for making capital budgeting decisions
5. To calculate risk and return of investment and create a diversified portfolio
6. To estimate company’s cost of capital
Calculator & Rounding Policy

You will need a financial calculator to succeed in this course. I highly recommend the Texas Instruments BAII Plus (TI BAII Plus) (this is different from their BAII). In class, I will use and teach you to use TI BAII Plus.

If you are using a BAII Plus, turn on your calculator and do the following:

*set the display to show 4 places to the right of the decimal point*

1) Hit the gray <2nd> key; hit the “decimal point” key (it says “format” above the key)

2) Hit the number “4” and push the <ENTER> key

*now set the machine to follow standard “Algebraic Operating System” rules so that it does multiplication and division before it does addition and subtraction.*

3) after completion of step 2, hit the down arrow key (it says INS above this key) until the display shows “Chn” or “AOS”.

4) If it says “Chn”, then hit the gray <2nd> key and push the <ENTER> key. The display now should show “AOS”.

5) If it says “AOS”, then hit the gray <2nd> key; hit the key right above it called CPT (it says “QUIT” above the key)

The above settings remain even if you turn off the calculator. If your battery dies or is replaced, however, you’ll need to re-do the steps.

*Rounding numbers:* Realize that because of differences in rounding policies it is extremely likely that any two solutions will be slightly different; say for a problem involving tens of thousands of dollars and several interest rates one student obtains an answer of $324 whereas another gets $319. With any reasonable rounding policy, however, any reasonably correct answer will lie within a 1% or 2% range (the difference between $324 and $319 is 1.02%). Answers on the multiple choice exams usually are a minimum 10% apart. So reasonable rounding policies should not cause one to get a problem wrong. Here is the rounding policy that I use. For rates, carry four-digits to the right of the decimal. For example, I would use 0.0102 in my calculator for problems in which an intermediate step is 1.02%. For dollars, I usually round to the whole dollar when the amounts exceed $100; round to the penny for amounts less than $100.
Grade Determination

Your Overall Performance Score computes with these weights:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam 1</td>
<td>20%</td>
</tr>
<tr>
<td>Exam 2</td>
<td>20%</td>
</tr>
<tr>
<td>Exam 3</td>
<td>20%</td>
</tr>
<tr>
<td>Comprehensive Final</td>
<td>25%</td>
</tr>
<tr>
<td>Quiz average</td>
<td>10%</td>
</tr>
<tr>
<td>Wildcard for best all-around performance</td>
<td>5%</td>
</tr>
</tbody>
</table>

Total 100%

The wildcards increase the importance of your best scores. Weekly quizzes will be administered.

The Overall Performance Score computes with this letter grade distribution:

- $92.0 \leq \text{average} \Rightarrow A$
- $72.0 \leq \text{average} < 77.0 \Rightarrow C$
- $89.5 \leq \text{average} < 92.0 \Rightarrow A-$
- $69.5 \leq \text{average} < 72.0 \Rightarrow C-$
- $87.0 \leq \text{average} < 89.5 \Rightarrow B+$
- $67.0 \leq \text{average} < 69.5 \Rightarrow D+$
- $82.0 \leq \text{average} < 87.0 \Rightarrow B$
- $62.0 \leq \text{average} < 67.0 \Rightarrow D$
- $79.5 \leq \text{average} < 82.0 \Rightarrow B-$
- $59.5 \leq \text{average} < 62.0 \Rightarrow D-$
- $77.0 \leq \text{average} < 79.5 \Rightarrow C+$
- $\text{average} < 59.5 \Rightarrow F$

Exam and Quiz Policies:

1. Quiz
   - Quiz will be given on regular basis. Quiz question for next class will be announced at the end of each class.
   - Students missing a quiz for any reason whatsoever receive a zero on that quiz – there are no excused absences because we employ a no-fault attendance policy. **No make-up quizzes will be given.**
   - No formula will be provided for quiz question. You must show complete work including the right formula to receive full credit.
   - At the end of the semester, your attendance determines the number of quizzes to be used to calculate your quiz average.

2. Exam
   - Exams will be given in class.
• Each of exams 1, 2 and 3 consists of 2 parts. Part I includes numerical problems in multiple choice format. Part II includes short answer, filling the blank, true/false, and simple calculation questions.
• Final exam is in multiple choice format and consists of both numerical and verbal problems.
• Some of the questions will be selected from a list of Common Questions distributed for each exam. These questions are from the textbook and class discussion. The Common Questions appearing on the test will have different numbers than the ones in the book. The remaining multiple choice questions might cover any aspect of the class material.
• Exams are administered in-class and therefore time conflicts should not occur. If extenuating circumstances cause you to miss an exam then you, or your designee, must contact me by the end of exam day. **If no contact is made then your exam grade automatically is "F" (zero).** If you make contact as specified above and I determine the reason for missing the exam is deemed valid, then the weight of the missed exam will be added to that of the final exam.
• At the end of semester, you may use your final exam as a replacement of the lowest scored exam of exams 1, 2, and 3. However, if you miss at least one of the exams 1, 2, and 3, final exam will be used to replace your missed exam(s) only.
• A formula sheet is provided during each exam; you may **NOT** bring your own. The formula sheet for each exam is the same as the one attached to the Common Questions distributed for each exam.

(3) Exam and quiz appeal:

To appeal your grade on a quiz or exam, contact me within 3 class days of the general return of the quiz/exam. Your grades on assessments prior to the final should be discussed before you take the final. After the final exam, the only issue on the table for discussion is the final exam itself.

**Attendance Policy**

Missing class causes two things to happen. First, it reduces the number of quizzes that you may “drop”. Second, experience shows that students missing class perform poorly on quizzes and exams.

An attendance sheet will be passed around at the beginning of each class. If I forget to pass around the sheet, remind me. You must sign it or you are counted as missing. If you leave class early then I may delete your signature and you may be counted as missing. I might re-do the signature sheet
at the end of class. Missing class reduces the number of quizzes that you may “drop” from your grade. Before computing quiz average, lowest quiz scores are dropped as follows:

<table>
<thead>
<tr>
<th># of classes missed</th>
<th># of quizzes dropped</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2 or more</td>
<td>0</td>
</tr>
</tbody>
</table>

An absence reduces the # of quizzes that may be dropped, regardless of reason; i.e., **there are no excused absences.**

**Other Issues**

1. Email policy: I will respond only to emails sent through student email accounts (i.e., cofc account). On the email subject line, put “FINC-303”. Email received after 3 p.m. will not be replied until next working day. If you do not receive my reply by the next working day, send it again.

2. It is your responsibility to check with your fellow students or me on any announcement made in class if you miss the class.

3. Please silent all cell phones or any communication devises when class/exam is in session. If you have any special need which requires using electronic devises during class/exam, come see me.

4. If there is a student in this class who has a documented disability and has been approved to receive accommodations through the Center for Disability Services/SNAP (Students Needing Access Parity), please come and discuss this with me during my office hours.

**Important Dates**

1. Exam dates:
   - Exam 1: Tuesday, September 18
   - Exam 2: Tuesday, October 16
   - Exam 3: Tuesday, November 20
   - Comprehensive Final:
     - Section 05: Saturday, December 8 (12 p.m. to 3 p.m.)
     - Section 10: Thursday, December 6 (4 p.m. to 7 p.m.)

2. Last day to Drop/Add: Monday, August 27

3. Last day to withdraw with a “W”: Wednesday, October 24

4. Fall break (collegewide, no class): Monday-Tuesday, November 5-6

5. Thanksgiving holiday (collegewide, no class): Wednesday, November 21 to Sunday, November 25
Brief List of Topics (chapter coverage is subject to change)

Chapter Description

Chapter 1: Introduction to the study of finance

Chapter 2: Financial fundamentals of accounting

Chapter 3: Accounting for growth

*EXAM 1*

Chapter 4: Time value and relations between returns

Chapter 5: Future and present values of annuities

Chapter 6: Time value application 1: Capital budgeting

*EXAM 2*

Chapter 7: Time value application 2: Bond valuation

Chapter 8: Time value application 3: Stock valuation

Chapter 10: Measuring risk, return, and diversification benefits

*EXAM 3*

Chapter 11: Determination of equilibrium returns

Chapter 12: Financial arbitrage

*COMPREHENSIVE FINAL*

College of Charleston Honor Code and Academic Integrity

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved. Incidents where the instructor determines the student’s actions are related more to a misunderstanding will handled by the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by the instructor and the student, will be forwarded to the Dean of Students and placed in the student’s file. Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student’s transcript for two years after which the student may petition for the X to be expunged.
The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board. Students should be aware that unauthorized collaboration--working together without permission-- is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others’ exams, fabricating data, and giving unauthorized assistance. Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor. Students can find the complete Honor Code and all related processes in the Student Handbook at http://studentaffairs.cofc.edu/honorsystem/studenthandbook/index.php