Instructor: Hao-Chen Liu

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

Class Time and classroom:
Beatty 216, 9:25 to 10:40 a.m., Tuesdays and Thursdays

Office Hours:
10 a.m. to 12 p.m. on Mondays and Wednesdays; 3 to 3:30 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 Textbooks
- A copy of the textbook, “Lessons about the Structure of Finance
- “Essentials of Corporate Finance” by Ross, Westfield, and Jordan

Suggested Readings
Wall Street Journal

(College of Charleston offers free WSJ subscriptions to our students. If you have not yet
activated your account, please visit http://wsj.com/ActivateSchool)

GMAG/Barron’s
Thanks to the support of New York-based wealth management firm GM Advisory Group,
students at the College of Charleston School of Business now have access to Barron’s
digital magazine. Barron’s, published by Dow Jones & Co., has been relied on by
professionals and investors as the leading source for business news and financial market
insights. We will be using this resource to connect real-world analysis with textbook
theory. Please register to gain instant access with your @g.cofc.edu email address by
After registering, you can log in directly by visiting Barrons.com.
**Required Material**

Financial calculator: Texas Instruments BAII Plus (TI BAII Plus)

**Prerequisites**

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

**The SB Learning Goals:**

- **COMMUNICATION SKILLS:** Students demonstrate the ability, via both written and spoken word, to effectively present, critique, and defend ideas in a cogent, persuasive manner.

- **QUANTITATIVE FLUENCY:** Students demonstrate competency in logical reasoning and data analysis skills.

- **GLOBAL AND CIVIC RESPONSIBILITY:** Students identify and define social, ethical, environmental and economic challenges at local, national and international levels. Students integrate knowledge and skills in addressing these issues.

- **INTELLECTUAL INNOVATION AND CREATIVITY:** Students demonstrate their resourcefulness and originality in addressing extemporaneous problems.

- **SYNTHESIS:** Students demonstrate the ability to integrate knowledge from multiple disciplines incorporating learning from both classroom and non-classroom settings in the completion of complex and comprehensive tasks.

**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:

- Exam 1 20%
- Exam 2 20%
- Exam 3 20%
- Comprehensive Final 20%
Quiz average 15%
Wildcard for best all-around performance 5%
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:

\[
\begin{align*}
92.0 \leq \text{average} & \Rightarrow \text{A} \\
72.0 \leq \text{average} < 77.0 & \Rightarrow \text{C} \\
89.5 \leq \text{average} < 92.0 & \Rightarrow \text{A-} \\
69.5 \leq \text{average} < 72.0 & \Rightarrow \text{C-} \\
87.0 \leq \text{average} < 89.5 & \Rightarrow \text{B+} \\
67.0 \leq \text{average} < 69.5 & \Rightarrow \text{D+} \\
82.0 \leq \text{average} < 87.0 & \Rightarrow \text{B} \\
62.0 \leq \text{average} < 67.0 & \Rightarrow \text{D} \\
79.5 \leq \text{average} < 82.0 & \Rightarrow \text{B-} \\
59.5 \leq \text{average} < 62.0 & \Rightarrow \text{D-} \\
77.0 \leq \text{average} < 79.5 & \Rightarrow \text{C+} \\
\text{average} < 59.5 & \Rightarrow \text{F}
\end{align*}
\]

**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 devise when class/exam is in session. If you have any special need which requires using electronic devise 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.

(5) Inclement weather statement: If the College of Charleston closes and members of the community are evacuated due to inclement weather, students are responsible for taking course materials with them in order to continue with course assignments consistent with instructions provided by faculty. In cases of extended periods of institution-wide closure where students have relocated, instructors may articulate a plan that allows for supplemental academic engagement despite these circumstances.

Important Dates

(1) Exam dates:
   Exam 1: Thursday, February 6
   Exam 2: Thursday, March 12
   Exam 3: Tuesday, April 14
   Comprehensive Final: Saturday, April 25 (8 a.m. to 11 a.m.)

(2) Last day to Drop/Add: Wednesday, January 15

(3) Last day to withdraw with a “W”: Friday, March 13

(4) Spring break (collegewide): Sunday, March 15 to Saturday, March 21

(5) Last day of our class (FINC-303): Tuesday, April 21
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://deanofstudents.cofc.edu/honor-system/studenthandbook/