Course Objectives:

Finance 3310 is an introductory finance class designed (and required) for finance majors that examines how corporations make optimal long-term financial decisions as they raise and invest capital. We explore this issue by discussing how cash flow, time, risk, information, market imperfections and potential conflicts of interest affect the financial decisions made by corporations. Since the finance industry tends to use Excel extensively, we will spend significant time modeling these financial decisions using Excel. This class aims to give you a solid foundation as you prepare for internships, upper-level finance classes, and ultimately careers in finance.

Accounting, Business Fellows, economics, and real estate also require that their majors take Finance 3310 instead of Finance 3309. All other majors are strongly encouraged to take Finance 3309 since it is a less rigorous course designed to give people who do not plan to take additional finance classes a broad introduction to finance.

Required grade in FIN 3310:

Finance majors must earn a B- or higher for the first grade earned in FIN 3310. If you were planning to major in Finance, but do not earn a B- or higher in this class this semester, you will need to choose a different major.

BBA students must earn a minimum grade of C in this course in order to meet the prerequisite for the Business School capstone course, BUS 4385. If you have any questions, please contact your Business School academic advisor.

Prerequisites: A minimum grade of C in ACC 2303 and ECO 2306 or 1380; completion of MTH 1309 or 1321.

Office Hours:

Class days: 10:30 – 11:30; 3:45 – 5:00

Whoever gets to my office first gets to keep asking questions until their questions are answered. But if someone is in my office when you get there, feel free to come listen to their questions and my answers. You might have the same questions they do. Or you might be able to answer their questions, or they might answer yours. I don’t mind having more students than chairs in my office (as has happened frequently in previous semesters). If for some reason I will not be available for some of my office hours, I will post a note on my door. If possible, I will also send out an email and/or make an announcement in class prior to the missed office hours.
Resources:

Required: Corporate Finance (5th edition) by Berk and DeMarzo. (This is the latest edition of the book).
Note: Do not get either the Global Edition or the Core Edition of this book.
Class materials on my class website: http://business.baylor.edu/steve_rich

Optional: Harvard Spreadsheet Modeling Course: Link in “Announcements” on Canvas. I used to require this, but I have never been particularly satisfied with it. Harvard is in the process of creating a replacement. If you feel weak on Excel, but do not want to spend the 20 or so hours needed to work through the Harvard class, I have a document that covers the basics of using Excel on my 3310 website.
Wall Street Journal: See the link on my website for free access to the digital version for Baylor students. Baylor finance alumni have mentioned how important it is for finance majors to read at least the front pages of sections A and B daily.

Overview of Class:

Nobel Laureate and Stanford Professor Carl Wieman compares lecturing in a college course to the ancient practice of bloodletting in medicine. (See: http://www.npr.org/sections/ed/2016/04/14/465729968/a-nobel-laureates-education-plea-revolutionize-teaching). I came to the same basic conclusion and stopped using valuable class time to lecture after the fall 2011 semester. However, since I read the comments in my fall 2018 student evaluations, I have begun shifting back to a more lecture-style format. The following general guidelines will help you get the most out of this revised structure for the class.

Preparing for class: At the end of this syllabus I have included a schedule of when I think we will begin to discuss the notes for each chapter. This should help you know what to study for class. I will send out frequent emails with more detailed schedules as we go along.

Things you should do before we begin to discuss the notes for a chapter:
1. Study my notes for the chapter (these notes are on my website). As you study the notes, write down any questions you have about the information or examples. If you don’t understand an example, watch the video clip via the link I have embedded in the notes where I explain the solution. Be sure to ask any questions you have during class. This is the biggest benefit of meeting together.
Note: These notes used to be my lectures before I flipped my classroom. Now I will spend class time lecturing on the main points of each chapter, asking and answering questions about the examples in my notes on my website, and going over the in-class examples posted on Canvas under “Files”.
2. Read the chapter in the textbook to fill in the gaps in your understanding.
3. Try to solve the in-class examples posted on Canvas.
4. Write out definitions for the key terms for the chapter (there is a list of key terms at the end of each chapter). Review these before class.

Things you should do after we finish discussing the notes for a chapter:
1. Work the assigned homework problems. Write down any questions you have about specific problems so you can ask these in class.
2. Build and test the assigned spreadsheets. I recommend meeting with someone else who has built the spreadsheet and checking to see if you both get the same answer when you change one (or several) input number.

A typical class day will generally be structured as follows:
1. Quiz over key terms from the chapter we are starting or recently started.
2. I call on people to check their spreadsheets from chapters we have finished discussing.
3. I draft people to write their homework solutions on the board and then answer questions from the class (or from me) about their solutions for chapters we have finished discussing.
4. I’ll give an overview of the current chapter’s main ideas.
5. Question and answer discussion of notes and/or in-class examples (on Canvas) we are covering that day.
Excused absences: If you are sick, do not come to class (or my office). I will count you as excused for the day. I will also excuse you for unavoidable job-related activities and family emergencies. To be excused, send me an email giving me enough information to know I should excuse you. If I do not reply, I recommend sending a follow-up email just to make sure I received it.

**Grading:**

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<tr>
<th>Component</th>
<th>Points</th>
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<tbody>
<tr>
<td>Class participation</td>
<td>200</td>
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<tr>
<td>Quizzes</td>
<td>100</td>
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<tr>
<td>Out-of-class Spreadsheets</td>
<td>100</td>
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<tr>
<td>In-class Spreadsheets</td>
<td>375</td>
</tr>
<tr>
<td>In-class Problems</td>
<td>300</td>
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<tr>
<td>Midterm</td>
<td>375</td>
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<tr>
<td>Final</td>
<td>600</td>
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<tr>
<td><strong>Total Possible Points</strong></td>
<td><strong>2050</strong></td>
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</tbody>
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The minimum points you will need to earn (out of these possible points) for various grades are as follows:

- A = 1845; A– = 1824; B+ = 1783; B = 1640; B– = 1619; C+ = 1578; C = 1435; C– = 1414; D+ = 1373; D = 1230; D– = 1209

**Class participation:** You can earn class participation points by asking and answering questions about the notes, examples, and homework problems. Class participation grades are relative to others in the class and tend to range from 120 to 200 with an average of around 160. The points you earn will depend on: 1) the quality of your comments, 2) the contributions of your peers, and to a small extent, 3) how many days you contribute to class discussions. Basic questions ask “what?”, better questions ask “why?”, even better questions pull together more than one idea discussed in the class and/or relevant material from outside the class…especially current events such as you would find in the Wall Street Journal. The best questions stump me (Dr. Rich). The better your contribution to class discussions, the higher your class participation grade will become. The more you sit quietly as your peers contribute to class discussions, the lower your class participation grade will become. I will post participation grades frequently, though they will bounce around a lot (both up and down) early in the semester.

We will work through the notes on my website by section. For each section, I will:

1) give the class a chance to ask any questions about the material in the section.
2) ask for a volunteer to answer the question or questions (for class participation points) If there are no volunteers, I will answer the questions.

When you look over the chapter notes, make sure you write down questions about anything you don’t understand so you can ask them in class.

This summer, I tried something new that I plan to continue this fall. Before class, I will email out a list of people who were responsible for discussing specific examples in the notes on my website. In class, I will let the person on the list ask whatever questions they want about the example or examples they are responsible for. I will then ask them questions about the example. This will count towards that day’s participation.

On homework days, I will call on people to write on the boards their solutions to the homework problems for the chapters we finished discussing the previous class period. You will not receive any points for putting your solution on the board unless someone asks questions about your solution and you explain what you have done. But even if no one asks about your solution you will avoid losing points for not having something to show for that problem. You will also receive points for asking about a solution someone else has put on the board or for answering questions from the class (or me) about your (or someone else’s) solution. I encourage you to work in groups on the homework problems. But you need to make sure you understand how to work the problems on your own. Otherwise you won’t be able to explain your answers and you will crash and burn on the in-class problems and on exams.
Feel free to come by at the end of each class and see what I recorded for your participation for the class that day. I only count your one best mark for the day. If I have failed to record something for a comment you made, feel free to remind me of your comment before you leave class.

I have posted check figures for the homework to Canvas in the “Files” Section.

**Quizzes:** One of the important things to take away from this class is an understanding of the basic terminology of finance. Quizzes will therefore cover “Key Terms” listed at the end of each chapter (or chapters) we start to discuss that day... or perhaps the previous day (to avoid multiple quizzes on one day). On these quizzes, I will provide a definition (taken from the Glossary at the back of the book) and you will write down the key term. I will count your 10 best quiz grades for the semester. Each quiz will have five terms and will be worth 10 points (2 points per key term you correctly write on the quiz). There will not be quizzes over the terms in chapters 7 or 15. The chapter 5 quiz includes a few terms from chapter 4 (annuity, perpetuity, and simple interest) since chapter 5 continues the material in chapter 4. All other chapters are fair game for the quizzes. Use quizlets others have created for my class at your own risk.

**Spreadsheets:** Those who work in the finance industry (alumni with full-time jobs and current students who have had internships) tell us they live in Excel. As a result, Excel modeling is now a core feature of Finance 3310. To help you build your Excel modeling skills, I will require you to build and demonstrate well-functioning spreadsheets in class that relate to the notes we discussed the previous day. You will build these spreadsheets before class to solve one or more of the assigned homework problems. The problems you will have to solve for each chapter are listed by chapter on my website. Build your models so that any of the numbers given in the problem can be easily changed and you can easily find the new answer. The best way to do this is to have an area where you enter numbers for each of the given values for variables and a separate area with an answer that you can find easily. For multistep problems, I also recommend a separate area for each step’s calculations. I put this area on my spreadsheet below the other two areas.

You can either bring your spreadsheet on a laptop or tablet. If you have neither of these, you can use the computer at the front of the room to demonstrate your spreadsheet. If you plan to use the desktop computer at the front of the room, you will need to plan on how you will access your spreadsheet from the desktop.

In class, I will speed-check spreadsheets by: 1) identifying a variable whose value I will change, 2) identifying four or five people who will be required to change that variable, 3) calling out one of the names and a new value for the variable, 4) noting whether the person I have called on has the correct new answer, and 5) repeating steps 1 through 4 as needed.

Spreadsheet points depend on whether your spreadsheet gets the correct answer once I change one of the input variables in class. If your answer is correct, you get a 100 for the spreadsheet. If it is incorrect, you get a 70. Not having a spreadsheet gets as a zero (I count “My spreadsheet isn’t working” or being absent when I call on you as not having it). Your grade for the semester equals the average of the scores you received when I called on you to demonstrate your spreadsheet. I sometimes ask bonus questions that I think are harder to solve. These count 115% or 125% (depending on difficulty), but your average can’t go above 100. Basically, the bonus questions give you a cushion to protect against spreadsheets that don’t work properly later (or earlier) in the semester. There is no penalty for getting the bonus question wrong and you can get the bonus even if you got the normal question correct (or incorrect).

When building spreadsheets, I think it is best to try to figure out the finance associated with any problem before figuring out how to model the problem in Excel. For tough problems, I recommend solving the problem by hand first and then in Excel. I recommend solving all homework problems on paper and using Excel. This will help you build your Excel skills and your finance skills.

If your spreadsheet is not getting the check figure, I recommend checking your parentheses. If this doesn’t fix it, I recommend working pieces of the solution by hand and comparing these numbers to those in your spreadsheet. This is more helpful if you have built your solutions in pieces rather than having one big equation that solves the entire problem.
I encourage you to work in groups when building out-of-class spreadsheets. You will learn more this way. But you need to understand the process yourself. If you simply copy (or worse yet, simply use) someone else’s spreadsheet, you will crash and burn on the in-class spreadsheets…which are worth many more points than the out-of-class spreadsheets.

**In-class spreadsheets and problems:** In-class spreadsheets and problems will usually be worked in groups but might sometimes be worked individually. Grades on in-class spreadsheets will depend on how many tries it took you to correctly build a working model of the problem. “Correct” means you get the correct answer when I change one of the input numbers. Getting a correct answer the first time you try gets a 75 out of 75 possible. Each wrong answer drops your score by 15 points. Working on but being unable to build a working model by the end of class will be worth at least 38 points. I will give a copy of the problem to each person. Put your name on your copy of the problem. When your group has correctly solved the spreadsheet (or when time is up), staple all your group’s copies together with the one copy with the number of retries on it on top of the stack. You are free to leave once your group turns in your stack of problems.

**In-class problems** will be graded like exam questions with lots of partial credit. Turn in your group’s solution when you are confident you have the correct answer. I will give a copy of the problem to each person. Put your name on your copy of the problem. When your group is satisfied with an answer (or when time is up), staple all your group’s copies together with the one copy you want graded on top of the stack. You are free to leave after your group turns in its solution. **Be sure to show all your work. Like most exam problems, the points you get are for setting things up. Solving to a number adds no points.**

There will be 5 in-class spreadsheets and 4 in-class problems. Each is worth a maximum of 75 points.

Being absent for an in-class problem or spreadsheet results in a zero unless you were excused.

**Midterm:** The midterm will include five short-answer questions and five problem/essays. The short-answer questions will be worth 15 points each and the problems will be worth 75 points each. The midterm should cover the first seven chapters of the text.

**Final:** The final will include five short-answer questions and seven problem/essays. The short-answer questions will be worth 15 points each and the problems worth 75 points each. The short-answer questions will come from the material since the midterm, but the problem/essays will be comprehensive and so relate to any and all of the material we cover this semester.

**Preparing for exams:** Working problems is one of the best ways (probably the best way) to prepare for exams. When working problems, I recommend the following: 1) avoid looking at any answers until you think you have worked a problem correctly or feel hopelessly stuck (you will obviously not have access to answers other than your own when you take exams); 2) keep working problems until you have worked several in a row where your solutions are correct; 3) work new problems rather than problems you have worked before or have heard explained. The hard part of finance is figuring out what to do. Once you have heard a problem explained, you will not learn much from working it. The same basic principle applies to reworking problems you have previously worked. Rather than reworking a problem, try working a problem you have not seen before. There are many more problems in the text than the ones I have assigned. You can also find additional problems for some topics on old quizzes and exams on my old Finance 4360 website. Relevant chapters include 3, 4, 5, 7, 8, 10 (sort of), 14, 15, and 16. Note: I recommend starting with the oldest problems since they got harder over time. Practicing with problems I wrote is probably better for studying for this semester’s exams since I write them too.

After you have tried the problems yourself, I recommend that you get together with a group to discuss the solutions. As you explain your solutions and/or ask others about their solutions, you will learn a lot more about finance than you would on your own.

**Time you will need to spend on this class:** This is a difficult class and we will move quickly through a lot of material. Several of my former students (including a business fellow) have told me it takes 7 to 8 hours to
prepare for each class. Whether you spend more or less than 7 to 8 hours preparing for each class will depend on how easily you grasp each topic and what grade you want to receive in the class.

Course Policies:

Honor Code: Violations of the honor code (including cheating and not reporting cheating) will result in an F in the course and possible expulsion from the University.

Technology during exams: During quizzes and exams, you may not at any time bring out (from your backpack or pockets) a computer of any kind (including handhelds), or a phone, or a calculator that contains text related to this class. I reserve the right to flunk anyone who breaks this rule for any reason. During exams, I will project the current time on the screens in the room so that you will know what time it is if your phone is your clock.

Statute of limitations: A one-week statute of limitations applies to appeals on grading. The one-week period begins when I post grades and begins on the first day of the spring semester for the final.

Attendance Policy: The business school attendance policy states that students will receive an “F” in a class unless they attend at least 75% of all class sessions.
Suggested syllabus statements from the Provost’s Office:

**Academic Success**

We as faculty members have high academic expectations of you and believe every student who has been admitted to Baylor can be successful. I am a vigilant professor and will notice if you are struggling in my course. If your academic performance in this class is substandard, I will submit an Academic Progress Report to the Success Center during the sixth week of the semester. I will work to help you get the help you need to learn more fully, and I can assist you in finding the resources you need beyond my course. Familiarize yourself with the culture of success we have at Baylor by stopping by the Paul L. Foster Success Center in Sid Richardson or by going to: [http://www.baylor.edu/successcenter](http://www.baylor.edu/successcenter). Even if you don’t need help, you can get involved by tutoring other students in the future or by telling a hall mate how and where to get help.

**Office Hours**

One of the best ways to take full advantage of learning in my course is by coming to my office hours. I look forward to guiding you in your academic pursuits. Take advantage of the hours listed above or email me for an appointment.

**Academic Integrity**

Plagiarism or any form of cheating involves a breach of student-teacher trust. This means that any work submitted under your name is expected to be your own, neither composed by anyone else as a whole or in part, nor handed over to another person for complete or partial revision. Be sure to document all ideas that are not your own. Instances of plagiarism or any other act of academic dishonesty will be reported to the Honor Council and may result in failure of the course. Not understanding plagiarism is not an excuse. You may use online resources to study for this course, but you must do so in ways that are consistent with all aspects of the Baylor University Honor Code (see, specifically, Section III.C.12 and Section III.C.16). As a Baylor student, I expect you to be intimately familiar with all aspects of the Honor Code, which can be found at this link: [http://www.baylor.edu/honorcode](http://www.baylor.edu/honorcode).

Any student who needs academic accommodations related to a documented disability should inform me immediately at the beginning of the semester. You are required to obtain appropriate documentation and information regarding accommodations from the Office of Access and Learning Accommodation (OALA).

Contact Information: (254) 710-3605 - Paul L. Foster Success Center, 1st floor on the East Wing of Sid Richardson.

**Baylor University Title IX**

**Sexual and Gender-Based Harassment and Interpersonal Violence Policy**

Baylor University does not discriminate on the basis of sex or gender in any of its education or employment programs and activities, and it does not tolerate discrimination or harassment on the basis of sex or gender. This policy prohibits sexual and gender-based harassment, sexual assault, sexual exploitation, stalking, intimate partner violence, and retaliation (collectively referred to as prohibited conduct). For more information on how to report, or to learn more about our policy and process, please visit [www.baylor.edu/titleix](http://www.baylor.edu/titleix). You may also contact the Title IX office directly by phone, (254) 710-8454, or email, TitleIX_Coordinator@baylor.edu.
The Title IX office understands the sensitive nature of these situations and can provide information about available on- and off-campus resources, such as counseling and psychological services, medical treatment, academic support, university housing, and other forms of assistance that may be available. Staff members at the office can also explain your rights and procedural options if you contact the Title IX Office. You will not be required to share your experience. **If you or someone you know feels unsafe or may be in imminent danger, please call the Baylor Police Department (254-710-2222) or Waco Police Department (9-1-1) immediately.**

**Military Student Advisory**

Veterans and active duty military personnel are welcomed and encouraged to communicate, in advance if possible, any special circumstances (e.g., upcoming deployment, drill requirements, disability accommodations). You are also encouraged to visit the VETS Program Office with any questions at (254) 710-7264.
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<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Aug 26</td>
<td>Overview of class</td>
</tr>
<tr>
<td>Aug 28</td>
<td>Discuss chapter 1 (The Corporation) and start discussion of chapter 2 (Intro to Financial Statement Analysis)</td>
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<tr>
<td>Sept 4</td>
<td>Start discussion of chapter 3 (Financial Decision Making and the Law of One Price)</td>
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<td>Sept 16</td>
<td>Start discussion of chapter 4 (The Time Value of Money)</td>
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<td>Sept 25</td>
<td>Start discussion of chapter 5 (Interest Rates)</td>
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<tr>
<td>Oct 2</td>
<td>Discuss chapter 6 (Valuing Bonds) and start discussion of chapter 7 (Investment Decision Rules)</td>
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<td>Oct 14</td>
<td>Review for midterm</td>
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<td>Oct 16</td>
<td>Midterm</td>
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<td>Oct 21</td>
<td>Start discussion of chapter 8 (Fundamentals of Capital Budgeting)</td>
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<tr>
<td>Oct 28</td>
<td>Start discussion of chapter 9 (Valuing Stocks)</td>
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<tr>
<td>Nov 4</td>
<td>Start discussion of chapter 10 (Capital Markets and the Pricing of Risk)</td>
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<tr>
<td>Nov 11</td>
<td>Discuss chapter 12 (Estimating the Cost of Capital)</td>
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<tr>
<td>Nov 13</td>
<td>Discuss chapters 13 (Investor Behavior and Capital Market Efficiency) and 23 (Raising Equity Capital)</td>
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<td>Nov 18</td>
<td>Discuss 24 (Debt Financing) and start discussion of chapter 14 (Capital Structure in Perfect Markets)</td>
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<td>Nov 20</td>
<td>Start discussion of chapter 15 (Debt and Taxes)</td>
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<td>Nov 25</td>
<td>Finish discussion of chapter 15</td>
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<tr>
<td>Dec 4</td>
<td>Begin discussion of chapter 16 (Financial Distress, Managerial Incentives, and Information)</td>
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<td>Dec 9</td>
<td>Review for Final</td>
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<tr>
<td>Dec 14</td>
<td>Final Exam; 11:30 – 1:30; Room(s) to be determined. This is a departmental exam time…but I write our exam.</td>
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