

Baylor University

Finance 3310

Introduction to Corporate Finance Spring 2024

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Finance 3310 Overview:

Finance 3310 is the 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. Finance 3310 aims to give you a solid foundation as you prepare for internships, upper-level finance classes, and ultimately careers in finance.

Accounting, Business Fellows, and economics 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 a broad introduction to finance for those who do not plan to take additional finance classes.

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 credit for FIN 3310 or FIN 3309 to take the Business School capstone course, BUS 4385. If you have any questions, please contact your Business School academic advisor.

If Jesus were teaching FIN 3310:

I am still a poor reflection of Jesus. But if Jesus were physically here to teach this class (instead of me), I think he might make the following points:

1. Our focus needs to be on God and his word, not material things (Matt 4:4). You can't serve both God and money (Luke 16:13). Earthly wealth is risky. We can use our wealth to make a difference in the world for God, but it is hard for the wealthy to enter the kingdom of heaven (Matt. 19:24). In my opinion, wealth tempts us to trust ourselves and our wealth instead of God and tempts us to pursue something other than God. Jesus told a gathered crowd that God called the rich man who had built bigger storehouses a fool because he was going to die that night and leave all he had stored up to someone else. (Luke 12:16-21). So, we should store up treasures in heaven not here on earth (Matt. 16:19).
2. We should give to anyone who asks without anyone noticing (Matt 5:42 and 6:4) and we should lend without expecting to get anything back (Luke 6:35).
3. We should plan out any project to make sure we can finish it. Otherwise we will be ridiculed by those who see we started something we couldn't finish. (Luke 14:28 – 30)

4. We are to be good stewards of the resources entrusted to us by our rich master (God). (Luke 19:11-27). I think Jesus would also say we are to be good stewards of resources entrusted to us by others...such as if we have been entrusted funds by investors as managers of a firm or an investment fund. In my opinion, you need to understand the basic principles of finance we discuss in this class to act as a good steward of resources entrusted to you by God or by people.

Note: Citizens Church pastor Jamin Roller asked a church member who worked in finance, “How does your faith inform your work?” The person’s response: “The model of business is rooted in the pattern of creation. God deployed his resources, knowing there would be great sacrifice because in the end he knew it would be eternally worth it. He knew there was a future of people from every tongue, tribe, and nation worshipping and glorifying him forever. To a much less degree that’s what I do as a business owner in finance. I see a need. I invest capital at great risk to fill the need and to bring about flourishing for others for their good and the glory of the Father.”

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

Office Hours:

M: 10:30 – 11:30

W: 10:30 – 11:30

F: 10:30 – 11:30 (when no finance department seminar); 1:00 – 5:00

List of seminar dates: <https://hankamer.baylor.edu/finance/seminars>

Whoever gets to my office first has “the floor” until their questions are answered. But 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 answer yours. If for some reason I will not be available for some of my office hours, I will post a note on my door. I will also attempt to send out a Canvas message and/or make an announcement in class prior to the missed office hours. Additional office hours on Zoom by appointment.

Resources:

Required:

1. Class web page: http://business.baylor.edu/steve_rich/fin3310/fin3310.html

Note: You can also get to my 3310 website by following the links from my home page: http://business.baylor.edu/steve_rich which you can find by googling “steve rich baylor”.

2. Corporate Finance (6th 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.**

3. MyEducator: Excel: See section later in syllabus and link on Canvas.

Highly Recommended, but not required:

MyLab Finance from Pearson: See link on Canvas and discussion on p. 5 of this syllabus.

Wall Street Journal - See the link on my FIN 3310 website for free access to the digital version for Baylor students. Several Baylor finance alumni have told me how important it is for finance majors to read at least the front pages of sections A and B every day.

Overview of this Class:

Schedule: At the end of this syllabus I have included a schedule of when I think we will discuss the notes for each chapter. This should help you know what to study for class. I plan to send out frequent (roughly weekly) messages on Canvas with more detailed schedules as we go along.

Things you should do for each chapter:

1. Read the chapter in the textbook.
2. Print out (or download to a note-taking device) my partial lecture notes from my website (or Canvas) for

- the chapter. Bring these to class with you to fill in the blank spaces. I don't think you learn much from copying an example, but hopefully you learn as you write down the solutions and ask questions as we go through those examples.
3. Try to solve the unsolved examples posted on my website (or Canvas). Note: These start with chapter 3. Volunteer to show and discuss your solution for class discussion points.
 4. Work the assigned homework problems. Make note of any questions you have about specific problems so you can ask these on days we discuss homework.
 5. Build and test the assigned spreadsheets. I recommend meeting with someone else in this class who has also built the spreadsheet and checking to see if you both get the same answer when you change one (or several) input number.

Note: Homework and spreadsheet assignments are listed on my website for each chapter.

Unexpected events: Life is often unpredictable. If you are sick or experience some sort of emergency, let me know so we can work out something regarding assignments.

Grading:

Participation	200
MyEducator Excel Class	155
Spreadsheets	100
Chapter quizzes (15 of them)	750
In-class group problems	200
Midterm	375
<u>Final</u>	<u>600</u>
Total Possible Points	2380

The minimum points you will need to earn (out of these possible points) for various grades are as follows:
 A = 2142; A- = 2119; B+ = 2071; B = 1904; B- = 1881; C+ = 1833; C = 1666; C- = 1643; D+ = 1595;
 D = 1428; D- = 1405

Class participation: You will earn participation points by asking questions for your classmates or me to answer and by answering questions from your classmates or from me about the notes, textbook, solutions to unsolved examples, and homework problems. The points you earn will depend on the quality of your questions and answers. I will mark down on my seating chart a "score" ranging from 1 to 4. These translate into points out of 200 as follows (score = points): 1 = 95; 2 = 155; 3 = 170; 4 = 200. I also often give X.5 points and these translate to points out of 200 as follows: 1.5 = 120; 2.5 = 160; 3.5 = 180. The quality of a question (and thus your "score") generally depends on how much thinking someone needs to do to answer. Basic questions ask "what?" and will generally receive a 2, better questions ask "why?" and will generally get a 3, 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 and will generally get a 3.5. The best questions stump everyone including Dr. Rich and will receive a 4. The quality of an answer depends on how clearly and completely you have answered the question. Your participation score for the semester will equal your average score across daily discussions this semester. I will only count your best score for each day and plan to post participation grades at the end of each week. Scores of 4 are rare but happen from time to time. Having no homework or being absent when I call on you counts as a 0 for the day. But since I only count your best score for each day, any question you ask or answer that day replaces the 0.

Your score for the semester will equal an average of your best 10 daily scores. But everyone starts with a seed value of 120/200. If you are satisfied with a 120, you never need to participate unless I call on you to discuss your homework answers. The 120 will be averaged in with your other participation scores, but if you participate 10 days or more over the semester, the 120 no longer affects your average since I only average your best 10 daily scores for the semester.

I will usually give a 5 (worth 250 out of 200) for class participation for volunteering to show and answer questions about your solution to an unsolved example.

I have posted check figures for the homework to Canvas in the “Files” Section. Since spreadsheet assignments come from the homework problems, you will also find initial check figures for your spreadsheets in the same file.

MyEducator Excel: Excel is a core skill in finance, but we don’t have time in FIN 3310 to teach excel AND finance. But Baylor’s MBA program introduces students to Excel with an online class from MyEducator that I have decided to incorporate it into my FIN 3310 classes. I sent MyEducator a list of the Excel functions I used when building my spreadsheets for this class and they had a course that included those functions. The class costs \$49.99 and gives you lifetime access in case you ever want to go back to review some of the skills covered in the class. Sign up and pay for the class by clicking on the link on Canvas.

Prior to the spring 2022 semester I simply assigned problems to solve with Excel and hoped students would figure out Excel as we went along. However, I provided links on my FIN 3310 web page to a document I created that introduces all the functions I used to build my spreadsheets for FIN 3310 and a link to YouTube tutorials that Baylor Finance Professor, Dr. Soku Byoun, found. The links to these are still at the bottom of my FIN 3310 web page in the section “Other Material”.

The 155 points from MyEducator come from the following: 10 quizzes at the end of each lesson are worth 10 points each; exam 1 is worth 30 points and exam 2 is worth 25 points. You can keep trying on each assessment until you fix everything and get a perfect score. You will learn as you fix errors. But be aware that I use your last attempt even if this is a lower score. But if your score is worse, you can try again. The points I will count for you on MyEducator are the points you have on May 3, the Friday before the final.

As with the quizzes for this class, a late penalty of 0.5% per day will accrue on your MyEducator points for assessments and exams submitted for the first time after the deadlines on Canvas. But the penalty only applies to the time you first attempted the assessment for each assessment and exam on MyEducator. You can go back and improve your score without affecting the late penalty. So be sure to make your first attempt by the due dates on Canvas. Then go back and attempt to fix mistakes to improve your score through May 3.

Microsoft Excel Collegiate Challenge: You can earn bonus points for participating in the [Microsoft Excel Collegiate Challenge](#) (MECC). During the fall 2023 semester, people said MECC was hard, but beneficial. This semester, like last semester I will give bonus points for participating as follows:

First and second Esports Challenges or Personal Finance & Excel Training Modules: 5 points each.

Third Esports Challenges or Personal Finance & Excel Training Modules: 15 points.

Online financial modeling challenge in March: 25 points.

Note: You need to earn something more than a 0 to get the points. Note that the Esports Challenges will become available in January, February and April and the Personal Finance and Excel Training modules will become available in February, March and April.

Reason I am giving bonus points for participating in MECC: Excel skills are crucial in a finance career and in some upper-level finance classes. Some of my former students have told me that financial modeling with Excel played a role in later rounds of job interviews.

Deadline: I will count the bonus points you have earned by April 30. Be sure to have finished what you want by then.

Chapter Quizzes: Chapter quizzes will be taken on Canvas and will consist primarily of multiple-choice questions from the book publisher. Each of the 15 quizzes will have 10 questions worth 5 points each. The quizzes are thus worth 750 points total. If you think a question was scored incorrectly, let me know. My students found some errors during my first few semesters I used the quizzes, but I believe I have fixed all the errors. Unlike prior semesters, quizzes will remain open after the due date, but with a late penalty of per day.

Notes on chapter quizzes:

- 1) The chapter quizzes are “closed book”. You can only use what you have learned and a clean copy of the formula sheet from my website (or Canvas). You can also use Excel or a calculator.
- 2) I recommend that you use Chrome to take quizzes since students seemed to have fewer issues (such as charts not loading) when using Chrome to take quizzes.
- 3) As was the case last semester, quizzes will remain open after the due date, but with a penalty of 0.5% per

day.

- 4) Don't wait to take quizzes until the due date. They will just pile up on your, we will continue to cover new material, and if you wait too long, the late penalty will wipe out your score.

Preparing for quizzes: Solving problems and answering questions in the textbook is one of the best ways (probably the best way) to prepare for quizzes. When working problems and answering questions, 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 quizzes); 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 nearly as 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 Finance 3310 and my old Finance 4360 websites. 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.

MyLab Finance: I also highly recommend working through the Study Plan and/or Dynamic Study Modules on MyLab Finance. See the link on Canvas called "Access Pearson" to access the MyLab class I set up for this semester. MyLab is not required, but I think you will learn more and earn higher scores on quizzes if you buy access to it. I also prefer the etext that comes with MyLab to the print copy of the text.

Spreadsheets: Those who work in the finance industry (alumni with full-time jobs and current students who have had internships) tell us they spend a lot of time working 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 chapters we cover. 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. This leaves a clear area for changing inputs and seeing the new answer.

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 50. Not demonstrating a working spreadsheet when I call on you gets a 0. **Challenge questions:** For many spreadsheets, I have a challenge question worth 120 or 140 if you get it correct, but which don't reduce your score if you get it wrong. If you want to try the challenge problem, let me know this when I call on you. Even if you didn't get the normal problem correct, you can still attempt the challenge problem before we leave the room (or the next class comes in) and receive credit for it. Your grade for the semester equals the average of the **eight best** scores you received when I called on you to demonstrate your spreadsheet.

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 (rather than just those assigned as

spreadsheet problems) both 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 spreadsheets. You will learn more this way. But you need to understand the process yourself. You will learn little from copying (or using) someone else's spreadsheet.

Quizzes and Academic Integrity: One of my concerns about online quizzes is cheating...which hurts others in the class who did not cheat. Technology can be used to discourage cheating on online quizzes. But in my opinion, I can only really rely on your word and integrity. To encourage everyone to maintain their academic integrity during quizzes, I am requiring everyone to sign and submit an academic integrity pledge. I have set submission of your pledge as a prerequisite for accessing the modules so you can't access Canvas modules until you submit your pledge. To submit your pledge, print the document from Canvas, write in your name, sign and date it, then scan and submit it. For instructions on scanning and submitting PDF documents, see "Canvas Submissions" in the files section of Canvas.

In-class Group Problems: In-class group problems will be graded 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. Unless the problem states to calculate a number answer, the points you get are for setting things up. Solving to a number adds no points. Also be sure your copy of the problem is stapled with everyone else's in your group. Otherwise, you will not receive credit for the problem.**

Midterm: The midterm will include five short-answer questions and four 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 six chapters of the text. **Unless the problem states to calculate a number answer, the points you get are for setting things up. Solving to a number adds no points.**

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 after the midterm, but the problem/essays will be comprehensive and so relate to all the material we cover this semester. **Unless the problem states to calculate a number answer, the points you get are for setting things up. Solving to a number adds no points.**

Preparing for exams: My recommendations for preparing for exams are essentially the same as for preparing for quizzes. Work lots of problems to prepare for exams. When working problems, I again recommend that you: 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. When studying for the midterm and final, I also recommend that you practice with old midterms and finals on my website. Memorizing the solutions won't really help you since the problems on your midterm and final won't be the same. But understanding all the equations and all the numbers in those solutions are a good sign you are ready for this semester's exams. Also, I highly recommend starting with the exams rather than the keys, then using the keys to check your solution after you think you have a problem correct. Recognizing that a solution is correct is not the same as coming up with that solution yourself.

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.

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 next regular (non-summer) semester for the final.

Recommended syllabus statements from the Provost's Office: See link on my website.

Tentative Schedule (Spring 2024):

Jan	17	Seating chart; Q&A on class structure; lectures on chapter 1 (The Corporation) and chapter 2 (Intro to Financial Statement Analysis)
	22	Check Excel and homework for chapter 1; Lecture on chapter 3 (Financial Decision Making and the Law of One Price)
	24	Check Excel and homework for chapter 2; Lecture on chapter 3
	26	Take quizzes for chapters 1 and 2 by the end of the day
	29	Lecture on chapter 3
Feb	31	Check Excel and homework for chapter 3; discuss solutions to unsolved examples for chapter 3; Lecture on chapter 4 (The Time Value of Money)
	2	Take chapter 3 quiz by the end of the day
	5	Lecture on chapter 4
	7	Lecture on chapter 4 and examples from FIN 4360 website
	12	Check Excel and homework for chapter 4; Lecture on chapter 5 (Interest Rates)
	14	Lecture on chapter 5 & TVM examples
	16	Take the chapter 4 quiz by the end of the day
	19	Finish lecture on chapter 5 and discuss solutions to unsolved examples for chapter 5; Lecture on chapter 6 (Valuing Bonds)
	21	Check Excel and homework for chapter 5; Lecture on chapter 6
	23	Take the chapter 5 quiz by the end of the day
	26	Group problem on chapter 5
March 3-10	28	Check excel and homework for chapter 6; Go over keys to chapter 5 group problems; Discuss solutions to the unsolved examples for chapter 6; Lecture on chapter 7 (Investment Decision Rules)
		Spring break
	11	Review for midterm
	13	Midterm exam (Chapters 1 – 6)
	15	Take the chapter 6 quiz by the end of the day
	18	Lecture on chapter 7; Lecture on chapter 8 (Fundamentals of Capital Budgeting)
	20	Check Excel and homework for chapter 7; discuss solution to Chapter 8 unsolved example.
	22	Take the chapter 7 quiz by the end of the day
	25	Check Excel and homework for chapter 8; Chapter 9 lecture (Valuing Stocks)
	27	Chapter 9 lecture
(Tuesday)	29	Take the chapter 8 quiz by the end of the day
	1	Easter Break
	3	Check Excel and homework for chapter 9; Chapter 9 unsolved examples; Chapter 10 lecture (Capital Markets and the Pricing of Risk)
	5	Take the chapter 9 quiz by the end of the day
	9	Chapter 10 lecture and discuss solution to chapter 10 unsolved example 1.
	10	Chapter 10 unsolved examples 2 and 3; Lecture on chapter 12 (Estimating the Cost of Capital)
	15	Check Excel and homework for chapter 10; Lecture on chapter 12
	17	Check Excel and homework for chapter 12; Lecture on chapter 13 (Investor Behavior and Capital Market Efficiency)
	19	Take the chapter 10 and 12 quiz by the end of the day. I recommend not waiting to take both quizzes until this day.
	22	Check chapter 13 homework and group problem on chapter 12
	24	Lecture on chapter 23 (Raising Equity Capital); Answer questions about chapter 24 (Debt Financing); lecture on chapter 14 (Capital Structure in Perfect Markets)
	26	Take the chapter 13 quiz by the end of the day
	29	Check chapter 23 & 24 homework and excel; Discuss solutions to the chapter 14 unsolved examples.
May	1	Check Excel and homework for chapter 14; Review for the final.
	3	By the end of the day take the quizzes for chapters, 23, 24, and 14. I strongly recommend not leaving all 3 quizzes until this day.
	7	Final Exam; 11:30 – 1:30; Room(s) to be determined. This is a <u>departmental exam time</u> ...but I write the final for my classes.