

The University of Iowa
Henry B. Tippie College of Business
Department of Finance

FIN:3000:EX4 – Introductory Financial Management

May 21 – June 14, 2013

CIMBA, Paderno del Grappa, Italy
Block Schedule C – Course 1

Instructor: Ty Leverty, PhD
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Faculty Profile: <http://tippie.uiowa.edu/people/profile/profile.aspx?id=194988>

Italy Campus Office: TBD
Italy Office Hours: I tentatively plan to be available for at least 30 minutes before and after class each day, as well as by appointment. The location will be determined once we arrive in Italy. In addition to office hours before and after class, I also anticipate holding some occasional evening help sessions to help prepare for exams and quizzes.

ACADEMIC ACCOMMODATION

If you have a disability or special condition that may require some modification of seating, testing, or other class requirements, please notify me after class, during office hours, or as soon as possible so that appropriate arrangements may be made. The Office of Student Disability Services (<http://www.uiowa.edu/~sds>, 133 Burge Hall, 335-1462) is also available to assist you.

COURSE OBJECTIVES AND DESCRIPTION

This course will familiarize students with the basic objectives, tasks, and decisions of financial management. As the first course in the finance sequence, the class builds the necessarily groundwork for a major and eventual career in finance. The goal is to enable students to think through and develop a framework for solving complex business problems from a finance perspective. Topics include time value of money, discounted cash flow analysis, the tradeoff and measurement of risk versus return, stock valuation, bond valuation, cost of capital determination, analysis of investment opportunities, capital budgeting, performance evaluation, and the role of financial markets.

At times, the discussion of these issues will involve theoretical concepts; however, effort will be made to spend a large portion of class time discussing examples and practical applications found in real-life scenarios. Class discussions will emphasize the mathematical “tools” of financial decision making as well as the economic theory and reasoning necessary to appropriately apply these tools.

COURSE PREREQUISITES

The University of Iowa Department of Finance prerequisites for this course include:

- 6A:001 – Introduction to Financial Accounting
- 6A:002 – Managerial Accounting
- 6E:001 – Principles of Microeconomics
- 6E:002 – Principles of Macroeconomics

At times, you may find it advantageous to consult your notes from these courses (or their equivalents). Those students who need a quick accounting refresher should review chapters 2-4 in the course textbook, “Fundamentals of Corporate Finance.”

COURSE MATERIALS

Primary Text (Required):

- **Fundamentals of Corporate Finance**, by Ross, Westerfield, and Jordan, 8th edition, c. 2008, McGraw-Hill Irwin.

Copies of this text will be distributed upon arrival on the CIMBA campus in Paderno del Grappa. Students **do not** need to purchase the text before leaving for Italy.

Financial Calculator (Required):

- **Texas Instruments BAII Plus** (*recommended model*)

At the minimum, each student will need a calculator with exponent function. However, I *strongly recommend* a financial calculator, as these will simplify many types of financial problems. The specific model that I recommend and plan to use for classroom instruction is the Texas Instruments BAII Plus. Although the BAII Plus is the industry standard, if you already own a different model of financial calculator such as the Hewlett-Packard 10BII, 12C, or 17BII+, those will work just fine as well, but my ability to show you how to use it will be limited. Each student will need his or her own calculator. You will not be allowed to share calculators during quizzes or exams. Those students who intend to pursue an investments-related career should be aware that the CFA exam allows only two calculator models, the Texas Instruments BAII Plus or the H-P 12C.

GRADING

Grade Weighting

Assignments	20%
Quizzes	40%
Final Exam (Thursday, June 13)	<u>40%</u>
	100%

Exam Policies

The exam dates are noted above or on the syllabus. No early exams will be given. Tests may consist of multiple choice, written problems, and/or short answer. Exams will be closed note and closed book unless otherwise stated in class. Exams and quizzes will be given during the regular class meeting time. The final exam will be cumulative.

If you need to miss an exam for an excused absence, you must notify me prior to class by email, calling my office, or leaving a message with the CIMBA staff. Failure to do so will result in an unexcused absence and no make-up will be given. Absences from an exam to attend a job interview are considered unexcused.

Assignment Grading Policies

I regard this class as I would any job responsibility, thus I will hold you to strict standards of timeliness and ethics. In the investment world as well as in this class, late work is unacceptable. Any assignment that is not handed to me when collected at the beginning of class on the day it is due will be considered late and penalized accordingly.

Grade Distribution

The Department of Finance in the Tippie College of Business has adopted the following grade distribution as a target for core finance courses such as 6F:100.

A+ to A-	25%
B+ to B-	35%
C+ to C-	30%
D+ to D-, and F	10%

Final course grades will be “curved” based this target distribution and a points-weighted ranking of all members of the class. My objective is to help you master the material. With that in mind, students earn an “A” when their work demonstrates mastery of the material, “B” when their work demonstrates a good grasp of the material, and “C” or below when their work demonstrates a poor grasp of the material. When grading I consider both the performance relative to the class and on an absolute basis (subject to the difficulty of exams). These guidelines are not absolute. If everyone’s performance indicates mastery of the material then everyone earns an “A”, and if less than the top 25% demonstrate mastery of the material then there will be fewer “As.”

TEACHING PHILOSOPHY

I am a strong proponent of applied instruction and learning by doing. The subjects taught in my courses must apply directly to the world around us. I believe that financial theory is worthless without practical application. For this reason, I generally try to avoid stylized problems in favor of real world examples. If it does not apply in practice, then it generally does not apply in my course.

I see my role as a resource and a guide for your learning. As a resource, I will do my best to provide you with materials that describe current academic and practitioner knowledge of investment theory and portfolio development. We will utilize group discussion to present multiple sides of different financial issues. As a guide, I will attempt to keep you on track for achieving the goals for this course. I will offer assistance, if requested, on individual projects; however, I will not micro-manage your learning experience. Because of this approach it is important that if at any point during the course you feel you need assistance, please ask for help as soon as possible.

In return I expect that you treat this class as you would any significant work-related responsibility. This means that you are expected to come prepared for meetings, contribute your

personal knowledge and experience to the discussion, treat others with respect, act professionally and work ethically toward success.

CLASS EXPECTATIONS AND POLICIES

- Class Attendance: **Attendance is mandatory for all classes and CIMBA sanctioned activities.** Absences due to illness require a note from the CIMBA Undergraduate Office Staff and/or the Istituto Filippin medical staff. If you are sick and cannot attend class, you must inform the CIMBA Staff immediately, *prior to class*. Failure to do so will result in an unexcused absence. The consequence for unexcused class absences are as follows:
 - 1st absence will result in a loss of 1/2 of a letter grade for the course
 - 2nd (cumulative) absence will result in a loss of an entire letter grade in that class
 - 3rd (cumulative) absence will result in a dismissal from the program
- Starting Time and Late Arrival: Class will begin promptly at the scheduled time. **Please make every effort to arrive on time.** Late arrivals are highly distracting to everyone. The professor reserves the right to lower a student's overall course grade by up to 2% for each day that he or she arrives late to class.
- Phones and Laptops: **Please turn off all phones and laptops before entering class.** Also, because it is very distracting to students seated nearby, please refrain from using a laptop computer during class, unless otherwise notified by the professor. Communication devices of any type are prohibited during quizzes and examinations. Please refrain from checking or sending an email or text message during class. (Yes, from the front of the room I can see when students are texting under the desk.)
- Class Breaks: During longer class sessions, I plan to schedule short 5-10 minute breaks into each day's planned activities. In return, I ask that students please return to class on time. Thanks.
- Public Image: We all know that Americans do not necessarily have the strongest reputation internationally. It is my hope that students will serve as good ambassadors of the United States, your home university, as well as the CIMBA program when you are out in public.

HOW TO PREPARE FOR THIS CLASS

- Read the assigned chapters prior to class. This is not a course where students can achieve the same level of success without reading the book. Sometimes the text will provide a different point of view from that presented in class. Moreover, the book will cover topics that we are unable to fit into the course so reading the book will maximize the level of knowledge you take from this course.
- Work through practice problems. This is probably the most important determinant of success in this class. Finance principles are best learned through application. Thus, following each lecture or reading, solve the supplemental and corresponding end of the chapter practice problems. Work problems, work more problems, and then if you have time, work a few more. Avoid falling into the trap of thinking that being able to follow my solutions to in-class problems is adequate preparation for solving them on an exam. You must struggle through problems to get a deep understanding of how things work.
- Learn the terminology. The finance field loves its terminology, acronyms and jargon. If you do not understand a finance or investment term, look it up the definition or ask. There are many great online dictionaries. A couple of the more popular ones are:
 - Investopedia: www.investopedia.com/dictionary

- Yahoo! Finance: <http://biz.yahoo.com/f/g/g.html>
- Do not fall behind. Many of the concepts in this course build upon one another. Students who fall behind early in the course will have a difficult time getting caught up given the compressed nature of the course. Stay on top of the course readings and work through the homework problems as we progress through the topics.
- Form study groups and learn from one another. Although homework assignments need to be completed individually, students are welcome to discuss solutions with other members of the class. This does not mean that you should copy anyone's homework, but students are allowed to solve problems with a partner.

POLICIES ON ETHICS, ACADEMIC MISCONDUCT, AND SEXUAL HARASSMENT

With regard to ethical conduct, it is my sincere hope that no student in this class does work which is not his or her own. If I determine that any assignment is not written solely by the student(s) whose name(s) appears on the document, a grade of zero will be assigned for the project. Similarly, if a student is determined to have cheated on a quiz or exam, the student will receive a score of "0" for the exam. In all likelihood, receiving a "0" on an exam will result in an "F" for the course.

All incidents of cheating will be reported to the CIMBA staff as well as the Associate Dean for the Undergraduate Program in the College of Business, and the student may be placed on disciplinary probation for the remainder of his or her undergraduate work at the University of Iowa. Incidents of cheating will also be reported to the appropriate dean at the home university for non-University of Iowa students.

In general, the decision of the professor on these matters may be appealed to the Dean for the Undergraduate Programs for the Tippie College of Business (Lon Moeller). The *Honor Code* for the Tippie College of Business will determine the appropriate appeal process. The Honor Code is available at <http://tippie.uiowa.edu/honorcode.cfm>.

Student concerns regarding grading in this course should first be discussed with the instructor. You are invited to submit a written appeal, outlining your specific concerns with the grade and the evidence you have to support why it should be changed (e.g., grading inconsistency, incorrect point calculations). I will respond to any appeals as quick as possible. To try to avoid reaching the step of a formal appeal, I will attempt to provide you with detailed feedback and grades on specific portions of each assignment so that you can easily pinpoint where points were or were not awarded. If, after the written appeal process, you still do not feel that you have been treated fairly, you may appeal a grade to the DEO of the Department of Finance in S252 PBB (Erik Lie, 319.335.0929, erik-lie@uiowa.edu) or the Dean of Undergraduate Programs (Lon Moeller, 319.335.0924, lon-moeller@uiowa.edu).

The Tippie College of Business and the University of Iowa are committed to providing students with an environment free from sexual harassment. If you feel that you are being or have been harassed or you are not sure what constitutes sexual harassment, we encourage you to visit the University website, <http://www.sexualharassment.uiowa.edu/index.php>, and to seek assistance from department chairs, the Dean's Office, the University Ombuds Office, or the Office of Equal Opportunity and Diversity.

Summer 2013 Course Outline (as of March 31, 2014)
FIN:3000:EX4 – Introductory Financial Management

This outline of course material and course times is tentative and subject to change. The schedule is designed to indicate the approximate order of material we will cover in class. At times, our actual pace or order of material may deviate from this schedule. Assignment, quiz, and exam dates are final unless otherwise noted in class. However, I reserve the right to change the **quantity, frequency, and due dates** of the assignments or quizzes as may become necessary once the final schedule begins to solidify.

Pre-work: Read Chapters 2 and 3 (available on ICON). We will discuss these chapters in class.

Class Date	Class Time	Due	Topics	Readings
WEEK 1: May 20-23				
May 20 (T)	9:35a – 11:05a		Course Overview Introduction to Financial Management	Chapter 1
May 21 (W)	9:35a – 11:05a		Time Value of Money	Chapter 5
May 22 (Th)	9:35a – 11:05a	Assign #1	Time Value of Money	Chapter 6
	2:00p – 5:00p		Discounted Cash Flow Valuation	
May 23 (F)	9:35a – 11:05a	Quiz #1	Discounted Cash Flow Valuation	
WEEK 2: May 26-29				
May 26 (M)	11:10a – 12:40 p		Interest Rates and Bond Valuation	Chapter 7
May 27 (T)	11:10a – 12:40 p	Assign #2	Stock Valuation	Chapter 8
May 28 (W)	11:10a – 12:40 p		Net Present Value & Investment Criteria	Chapter 9
	2:00p – 5:00p		<i>Company Visit: TBD</i>	
May 29 (Th)	11:10a – 12:40 p	Quiz #2	NPV and Investment Criteria	
WEEK 3: June 2-5				
June 2 (M)	9:35a – 11:05a		Making Capital Investment Decisions	Chapter 10
	2:00p – 5:00p		Making Capital Investment Decisions Project Analysis and Evaluation	Chapter 11
June 3 (T)	9:35a – 11:05a	Assign #3	Project Analysis and Evaluation	
June 4 (W)	9:35a – 11:05a		Lessons from Capital Market History	Chapter 12
June 5 (Th)	9:35a – 11:05a	Quiz #3	Return, Risk, & the Security Market Line	Chapter 13
WEEK 4: June 9-12				
June 9 (M)	8:00a – 9:30a		Return, Risk, & the Security Market Line	
June 10 (T)	8:00a – 9:30a	Quiz #4	Cost of Capital (WACC)	Chapter 15

	2:00p – 5:00p		Cost of Capital (WACC)	
June 11 (W)	8:00a – 9:30a	Assign #4	Agency Theory Dividends and Dividend Policy	Chapter 1 Chapter 18
June 12 (Th)	8:00a – 9:30a		Exam Review (if necessary) Intro to Risk Management (not on final)	
June 12 (TH)	4:30p-6:00p	FINAL EXAM		