

Syllabus  
Finance 323  
Spring 2007  
Instructor:  
Pieter  
Vandenberg

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# Fundamentals of Finance

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**T**his course is designed to provide you with a foundation in Managerial Finance. As such the course's main emphasis is on managerial decision. Finance can be view in a variety of ways. One way to view finance is to consider the specific industries and organization that aim at serving the financial needs of companies and individuals, such as banks or insurance companies. A second way is to view finance as a basic function required of everyone. All entities have a need to solve the financial problem(s) that they face. It is the latter approach we will take in this course. We are going to look at corporate decision making from a financial viewpoint.

All firms must successfully perform at least three functions. One they must produce something. Two they must market whatever it is that they produce. And three they must finance the entire operation. Without all three the firm will fail. We are going to look at the firm from the financial viewpoint. You will have a chance to study the other functional areas in other classes. Historically, as organization grew in size they began to hire specialized individuals to perform many tasks, but every business must do the three functions even if it is a one person company. In addition to the three functional areas many business have found it useful to hire specialized support individuals. These staff individuals perform a variety of tasks that many firms would find it difficult to live without. But this does not mean that firms must have these functions in order to succeed. In fact one of the current trends is to out-source or eliminate many of these staff services as evidenced by the growing number of virtual companies. But even a virtual company must still perform the three functions, of production, marketing and finance.

Thus what is finance about? The answer depends in part on whom you ask. Some people think that finance is the creation of a bunch of financial statements. Some think it is about banks, stock exchanges, and such. Some think it's a bunch of formulas. I think finance is about valuation within a market context. Valuation is about decision making. Decision making means choosing between alternatives, without a choice, no decision is needed. Thus finance exists to help choose between the many alternatives that firms (and individuals) face each day. How do you choose from all of those things you could do? The answer to that question is very difficult and clearly not absolute. One of the fundamental aspects of valuations is a realization that all of us are subject to discipline of financial markets. Financial markets are the places where we trade time dependent financial assets.

The course is composed of four parts. The first part deals with the financial information that a firm generates. The second part deals with valuation tools and their applications. The third section deals with financial markets and the supply of capital. The last section of the course deals financial planning.. Upon the completion of this course you should have an understanding of the above four parts and be able to use the concepts and tools to make managerial decisions.

## Course Objectives

**Course Web Site:**  
[www.vandenberg.info](http://www.vandenberg.info)

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## Class Assignments

Class assignments consist of reading text material, homework from the end of the chapters, a term project, two midterm exams and a comprehensive final. All of these assignments will contribute toward your grade. The calendar section has the chapter reading assignments, dates of the exams, and all other assignment due dates. You should read the assigned chapters by the due date. We will not necessarily spend an equal amount of time on each chapter.

A very significant amount of learning takes place outside the classroom. The University believes that on average a student should be working two hours outside of class for every hour in class. The more active you become in the learning process the more successful you will be. Arriving for class prepared, by reading the chapters and doing the assigned problems will allow you to be a more active learner. The grading system rewards you for coming to class prepared.

I will not collect the homework. Therefore you need only to have it completed for your personal use. Each period (For the purpose of preparedness each evening will consist of two periods.) you will sign in on a roll sheet. At that point you will have the opportunity to say whether or not you are prepared to discuss the homework and the assigned readings (i.e. have it completed) or are not prepared. If you are not prepared I will not call on you. *If you sign in prepared and are not your overall class grade will suffer very significantly since I consider this a breach of ethical behavior.* If you constantly sign in unprepared your homework grade will suffer. I will drop two periods in computing your final homework average to allow for extenuating circumstances.

## Homework

It is not necessary that you have the homework correct when you say you are prepared, it is necessary that you are able to carry-on a discussion which indicates that you have made a serious effort to complete the assignment. (Absence, arrival after the roll sheet has been passed out, or leaving early counts as unprepared.)

I do not give out check figures for the homework in advance because there are no check figures for the exams (or for problems that you will face after you leave college).

Your homework grade will depend on whether or not you made a sincere attempt to work all the problems, if you do, you will find that you can work most problems or at least make substantial progress on them. If you do not prepare you will find that you will not benefit from much of the time we spend in going over the homework and the class material.

## Exams

The exams will be made up of mostly multiple choice questions and problems, with perhaps a few short essay/problems. The date for the exams are listed on the calendar. Please bring a Scantron sheet [Form 882 (recommended type), 882-60, or 20788] to each exam.

## Term Project

There will be a term long assignment that you will need to do. This assignment must be done in order to pass this class. The final project is due on May 3 and no late assignment will be accepted. You have to start part of the project by February 20. It requires that you collect some financial information about a firm and then complete an analysis of this firm and the data that you collected. You can choose any public firm that you wish as long as the stock ticker symbol starts with the same letter as your first or last name. One other requirement is that you cannot reuse firms you have used or are using in your other classes. There are also a few firms that I use as examples that you may not use: Kellogg, Starbucks, Best Buy, or Johnson and Johnson. Also do not choose, financial service firms such as, banks, insurance companies, brokerage firms etc. These firms do not fit with the discussion in the text since they are financial institutions.

All of the work you do will be graded by me, *not* a grader. In addition you will receive regular reports on all of your grades. If you have a question about a grade please contact me at once so that we may resolve it. All exams and assignments will be kept by me and you are welcome/encouraged to come in to discuss and review them.

## Grading Process

### Weights

Exam 1	28%*
Exam 2	28%*
Final	28%*
Term Project Part	6%*
Class Participation, Homework	10%
Total	100%

\*You must complete these, on time, in order to receive a passing grade regardless of your overall average.

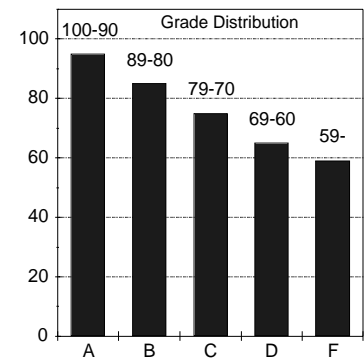


Figure 1

## Grading Policy

Final grade determination will be done using the schedule in Figure 1. If you are significantly above or below the mid point you will receive a plus or minus. The above grades are an absolute standard. If you achieve the above percentage on all of you work in *total*, then you are assured of getting that particular grade. I do not convert your scores on assignments into a grade until the end of the semester. It is possible that you might still receive a higher grade than the above if you are very close to the cutoff line. Whether you receive the higher grade will depend upon a variety of individual factors such as: the pattern of your exam grades during the semester, (do they go up or down) your performance on homework. Remember to do well on the homework only requires that you fully attempt to work all the problems and read the assigned material.

## Contacting Me

If you have a problem with any class assignment please contact me immediately. It might be possible to reach an accommodation with respect to class requirements and your particular situation. A successful resolution may not be possible if you delay in contacting me. The resolution will also depend upon your degree of seriousness of purpose. (See the FAQ's on the website.) You can always leave a phone or Email message and then see me during my office hours. I keep all of your exams and assignments that you turn in to me and you are welcome to come and discuss them.

The best way to contact me is to send electronic mail to [pieter.vandenberg@sdsu.edu](mailto:pieter.vandenberg@sdsu.edu) or you can leave a phone message (much less effective) at 858.254.1341. I will hold office hours immediately after class at 6:40PM. My office is in SSE 3124 (I am only in this office at this time).

### Student Responsibility for Material

## The Fine Print

You are responsible for all assigned material and all classroom material whether you attend class or not. You cannot obtain material that you missed, because of absence, from the instructor (this includes notes, handouts, etc.). If it is necessary to miss a class you will need to make arrangements with someone to obtain class material for you. It is a good idea to make these arrangements before you need them. Late assignments are not acceptable. As a student you have full control of the quality of your education, only you can learn, no one can do it for you. If you want a good education you should also avail yourself of the enrichment material which is available. You might try the web services that come with the text (a link is on [www.vandenberg.info](http://www.vandenberg.info)).

# 4 Assignment Schedule

## Homework Schedule

This schedule is designed to spread out the workload as evenly as possible and to keep you ahead of where I will be.

### Assignment:

Date	Topic	{1st Period}	{2nd Period}
1/18	Introduction		
1/25	Financial Statements	{RWJ 1 and 2*}	{2C-2.5**, 2P-10,21,22}***
2/1	Ratios and Time Value of Money	{RWJ 3 and 4}	{3P-20,21,28,34,35,36}
2/8	Discount Cash Flow Valuation (DCF)	{RWJ 5; 4P-1,2,3,4,5,6,19,24}	{5P-1,2,3,4,7,10,12,19,20}
2/15	Interest Rates and Bonds	{RWJ 6; 5P-27,29,36,37,41,55}	{6C6.15, 6P-2,4,15}
2/22	Stock Valuation	{RWJ 7; 7P-1,5,7,8}	{10,14,16,17}
3/1	Catch Up / Exam I #	RWJ 1 through RWJ 7	Exam 1
3/8	Making Investment Decisions	{RWJ 8 and 9}	{8P-5,6,7,10,12,13,16,24}
3/15	Investment Decisions	{9P-1,2,8,9,10,11,14}	Case Page 289****
3/22	Capital Markets; Risk and Return	{RWJ 10 and 11}	{10C-10.4,10P-1,2,8,9,10,11,21,23}
3/29	Spring Break		
4/5	Cost of Capital	{11C-11.2; 11P-9,13,17,21}	{RWJ 12, {12C-12.10}
4/12	Leverage	{12P-2,3,4,7,8,9,17}	{RWJ 13; 13C13.3; 13P-5,15,16}
4/19	Catch Up / Exam II #	RWJ 8 through RWJ 13	Exam 2
4/26	Short Term Financial Planning	{RWJ 16}	{16P-4,6,11}
5/3	Working Capital Management and International Aspects	{RWJ 17 and 18}	{17P-4,11,16} Term Project Due
5/10	Comprehensive Final	1900-2100	

# The exam will take the last 75 minutes of the period

\*RWJ is the text "RWJ 1" means read chapter 1

\*\*Means: Chapter 2 Critical Thinking Concept 2.5

\*\*\*Means: Chapter 2 problems 10, 21, and 22

#The exam will take the last 75 minutes of the period

\*\*\*\*The case will require the use of a spreadsheet to effectively answer the questions posed.

Incorrect time should be 1600-1800

## Resource Material

The following are the resources I recommend you have access to:

**TEXT:** Stephen Ross, Randolph Westerfield and Bradford Jordan *Essentials of Corporate Finance* (RWJ ) 5th Edition.

**LECTURE NOTES:** Vandenberg, Pieter, *Finance 323 Lecture Notes*

**COMPUTER AND INTERNET ACCESS.**

**CALCULATOR:** A financial calculator, any model is acceptable as long as it has less 256 Kb of addressable memory (A \$30 one works just fine.). I strongly recommend that you consider one of the two calculators that are supported in Appendix D (pp 574-576). Bring it and the text to class.

## Calculator Use

You will need to learn to use tools effectively. On an exam this means a financial calculator. Do not wait until the exam day to begin learning how. You will not be able to bring any tables or instruction sheets to the exams so learn to use it beforehand. The manual that comes with a calculator is usually excellent and there is also a video on the website. It is very important that you do not wait until just before the exam to try to learn to use your calculator. You need to practice this skill well before then. So work the homework with your calculator.