Course Number: Finance 367

Course Title: Business Finance

Instructor: Dr. Hadley Leavell

Office: SHB 210M

Phone: 294-1279

Office Hours: 1430 - 1630 MTWT or by appointment


Other Requirements: Access to Internet and Other Research Sources. The Required Text is one source, but not the only source of finance information for this course.

Prerequisites: Accounting 232 and Math 199, Junior Standing

Course Description:

A study is made of financial principles as applied to management of funds, capital budgeting, sources of funds, techniques of financial analysis, cost of capital, financial leverage, capital structure, forecasting financial needs, management of working capital, financial policies, analysis and regulation of security issues, and international finance.

Course Objective:

At the end of the course the student will know fundamental principles, generalizations, or theories; learn to apply course material; and gain factual knowledge.

Attendance:

Attending class lectures is vital to understanding, integrating, and applying the concepts discussed in class. There will also be material discussed in class that is not in the text; all class discussions are test material. University policy requires class attendance and attendance will be checked.

Homework:

Homework is given at the end of the syllabus as Required Reading, End of Chapter Questions and Problems. You are responsible for the reading, answering questions and working problems. The homework will not be turned in, however, it is testable material and you can expect test questions from this material.

Exams:

There will be five semester exams; each exam having a point value of 100.

There will be no make up exams. If one or more exams are missed, the student will take a comprehensive final exam that will be substituted for the missed exam[s].
**Reading:**

The nature of the course necessitates that chapters from the text and other assigned materials be read before coming to class. Discussions will be presented with the assumption that materials have been read and studied by each student. There are topics and terms which are purely descriptive and will be discussed in class only to the extent that class members have questions.

**Grades:**

Grades will be based on the following weights:

- Five Semester Exams: 500 points

Grades in this course are determined by applying the following scale:

<table>
<thead>
<tr>
<th>Score Range</th>
<th>Grade</th>
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</thead>
<tbody>
<tr>
<td>450.00 - 500.00</td>
<td>A</td>
</tr>
<tr>
<td>400.00 - 449.99</td>
<td>B</td>
</tr>
<tr>
<td>350.00 - 399.99</td>
<td>C</td>
</tr>
<tr>
<td>300.00 - 349.99</td>
<td>D</td>
</tr>
<tr>
<td>0.00 - 299.99</td>
<td>F</td>
</tr>
</tbody>
</table>

The final grade is determined by **TOTAL POINTS** and **NOT percentages**.

[http://www.shsu.edu/syllabus/](http://www.shsu.edu/syllabus/)

**Academic Dishonesty:** Students are expected to maintain honesty and integrity in the academic experiences both in and out of the classroom. See Student Syllabus Guidelines.

**Classroom Rules of Conduct:** Students are expected to assist in maintaining a classroom environment that is conducive to learning. Students are to treat faculty and students with respect. Students are to turn off all cell phones while in the classroom. Under no circumstances are cell phones or any electronic devices to be used or seen during times of examination. Students may tape record lectures provided they do not disturb other students in the process.

**Student Absences on Religious Holy Days:** Students are allowed to miss class and other required activities, including examinations, for the observance of a religious holy day, including travel for that purpose. Students remain responsible for all work. See Student Syllabus Guidelines.

**Students with Disabilities Policy:** It is the policy of Sam Houston State University that individuals otherwise qualified shall not be excluded, solely by reason of their disability, from participation in any academic program of the university. Further, they shall not be denied the benefits of these programs nor shall they be subjected to discrimination. Students with disabilities that might affect their academic performance should visit with the Office of Services for Students with Disabilities located in the Counseling Center. See Student Syllabus Guidelines.

**Visitors in the Classroom:** Only registered students may attend class. Exceptions can be made on a case-by-case basis by the professor. In all cases, visitors must not present a disruption to the class by their attendance. Students wishing to audit a class must apply to do so through the Registrar’s Office.

The following information is available at the website listed above.

**ACADEMIC DISHONESTY:**

All students are expected to engage in all academic pursuits in a manner that is above reproach. Students are expected to maintain honesty and integrity in the academic experiences both in and out of the classroom. Any student found guilty of dishonesty in any phase of academic work will be subject to disciplinary action. The University and its official representatives may initiate disciplinary proceedings against a student accused of any form of academic dishonesty including, but not limited to, cheating on an examination or other academic work which is to be submitted, plagiarism, collusion and the abuse of resource materials. For a complete listing of the university policy, see: [http://www.shsu.edu/administrative/faculty/sectionb.html#dishonesty](http://www.shsu.edu/administrative/faculty/sectionb.html#dishonesty)

**STUDENT ABSENCES ON RELIGIOUS HOLY DAYS POLICY:**
Section 51.911(b) of the Texas Education Code requires that an institution of higher education excuse a student from attending classes or other required activities, including examinations, for the observance of a religious holy day, including travel for that purpose. Section 51.911 (a) (2) defines a religious holy day as: “a holy day observed by a religion whose places of worship are exempt from property taxation under Section 11.20….” A student whose absence is excused under this subsection may not be penalized for that absence and shall be allowed to take an examination or complete an assignment from which the student is excused within a reasonable time after the absence.

University policy 861001 provides the procedures to be followed by the student and instructor. A student desiring to absent himself/herself from a scheduled class in order to observe (a) religious holy day(s) shall present to each instructor involved a written statement concerning the religious holy day(s). The instructor will complete a form notifying the student of a reasonable timeframe in which the missed assignments and/or examinations are to be completed. For a complete listing of the university policy, see:


STUDENTS WITH DISABILITIES POLICY:

It is the policy of Sam Houston State University that individuals otherwise qualified shall not be excluded, solely by reason of their disability, from participation in any academic program of the University. Further, they shall not be denied the benefits of these programs nor shall they be subjected to discrimination. Students with disabilities that might affect their academic performance are expected to visit with the Office of Services for Students with Disabilities located in the Counseling Center. They should then make arrangements with their individual instructors so that appropriate strategies can be considered and helpful procedures can be developed to ensure that participation and achievement opportunities are not impaired.

SHSU adheres to all applicable federal, state, and local laws, regulations, and guidelines with respect to providing reasonable accommodations for students with disabilities. If you have a disability that may affect adversely your work in this class, then I encourage you to register with the SHSU Counseling Center and to talk with me about how I can best help you. All disclosures of disabilities will be kept strictly confidential. NOTE: No accommodation can be made until you register with the Counseling Center. For a complete listing of the University policy, see:

http://www.shsu.edu/~vaf_www/aps/811006.html

VISITORS IN THE CLASSROOM:

Only registered students may attend class. Exceptions can be made on a case-by-case basis by the professor. In all cases, visitors must not present a disruption to the class by their attendance. Students wishing to audit a class must apply to do so through the Registrar’s Office.
Required Reading, End of Chapter Questions and Problems

Your required reading pages (noted with an asterias) for chapters that will be covered this semester. The other chapters will be covered as time allows. The required End Of Chapter Study Questions and Problems follow the required reading pages.

*Chapter 1: An Overview of Financial Management

<table>
<thead>
<tr>
<th>Pages</th>
<th>Title</th>
</tr>
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<tbody>
<tr>
<td>4 - 5</td>
<td>Forms Of Business Organizations</td>
</tr>
<tr>
<td>6 - 7</td>
<td>Stock Prices and Shareholder Value</td>
</tr>
<tr>
<td>8 - 11</td>
<td>Intrinsic Values, Stock Prices, and Compensation Plans</td>
</tr>
<tr>
<td>11 - 12</td>
<td>Some Important Trends</td>
</tr>
<tr>
<td>12 - 15</td>
<td>Business Ethics</td>
</tr>
<tr>
<td>16 - 17</td>
<td>Conflicts Between Managers and Stockholders</td>
</tr>
</tbody>
</table>

End Of Chapter Study Questions

19 Self Test: ST-1 a, b, c, e, f
19 ) 20 Questions 1-1; 1- 2; 1-3; 1-5; 1-6; 1-10; 1 -12

Chapter 2: Will be covered later

*Chapter 3: Financial Statements, Cash Flow and Taxes

<table>
<thead>
<tr>
<th>Pages</th>
<th>Title</th>
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<tbody>
<tr>
<td>65 - 66</td>
<td>A Brief History of Accounting and Financial Statements</td>
</tr>
<tr>
<td>66 - 67</td>
<td>Financial Statements and Reports</td>
</tr>
<tr>
<td>68 - 72</td>
<td>The Balance Sheet</td>
</tr>
<tr>
<td>72 - 74</td>
<td>The Income Statement</td>
</tr>
<tr>
<td>75</td>
<td>Net Cash Flow</td>
</tr>
<tr>
<td>79 - 81</td>
<td>Uses and Limitations of Financial Statements</td>
</tr>
<tr>
<td>84 - 85</td>
<td>Free Cash Flow</td>
</tr>
<tr>
<td>89</td>
<td>Tying It All Together</td>
</tr>
</tbody>
</table>

End Of Chapter Study Questions

90 Self Test: ST-1 a, b, c, d, g
90-91 Questions: 3-2; 3-3; 3-4; 3-5; 3-7; 3-10

*Chapter 4: Analysis of Financial Statements

<table>
<thead>
<tr>
<th>Pages</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>102 - 103</td>
<td>Ratio Analysis</td>
</tr>
<tr>
<td>103 - 104</td>
<td>Liquidity Ratios</td>
</tr>
<tr>
<td>104 - 107</td>
<td>Asset Management Ratios</td>
</tr>
<tr>
<td>108 - 112</td>
<td>Debt Management Ratios</td>
</tr>
<tr>
<td>112 - 115</td>
<td>Profitability Ratios</td>
</tr>
<tr>
<td>118</td>
<td>Trend Analysis</td>
</tr>
<tr>
<td>121 - 124</td>
<td>Comparative Ratios And &quot;Benchmarking&quot;</td>
</tr>
<tr>
<td>124 - 125</td>
<td>Uses And Limitations Of Ratios</td>
</tr>
<tr>
<td>128</td>
<td>Looking Beyond The Numbers</td>
</tr>
<tr>
<td>129</td>
<td>Tying It All Together</td>
</tr>
</tbody>
</table>

End Of Chapter Study Questions And Problems

129 Self Test: ST-1 a, b, c, d, f, h
130 Questions: 4-1; 4-2; 4-3; 4-5; 4-6
139 Table IC4 - 3 Ratio Analysis (Good and Bad)
*Chapter 5: Financial Markets and Institutions

143 - 144 An Overview of the Capital Allocation Process
145 - 147 The Financial Markets
148 - 153 Financial Institutions
153 - 157 The Stock Market
157 - 160 The Market For Common Stock
160 - 162 Stock Markets and Returns
163 - 167 Stock Market Efficiency
169 Tying It All Together

End Of Chapter Study Questions

167 Self Test: ST-1 a, b, c, d, e, f, g, h, i, j, k
170 Questions: 5-1; 5-3; 5-4; 5-5; 5-6

*Chapter 6: Interest Rates

175 - 176 The Cost of Money
177 - 189 Interest Rate Levels
180 - 187 The Determinants of Market Interest Rates
187 - 189 The Term Structure of Interest Rates
189 - 193 What Determines the Shape of the Yield Curve
193 - 195 Using the Yield Curve to Estimate Future Interest Rates
196 - 199 Other Factors That Influence Interest Rate Levels
201 Tying It All Together

End Of Chapter Study Questions

201 Self Test: ST-1 a, b, c, d, e, f, g, h, j
202 Questions: 6-1; 6-2; 6-3; 6-9

*Chapter 2: Time Value of Money

25 - 26 Time Lines
26 - 31 Future Value
31 - 34 Present Value
34 - 35 Finding the Interest Rate, i
35 Finding the Number of Years, n
35 - 36 Annuities
36 - 38 Future Value Of An Ordinary Annuity
38 - 39 Future Value Of An Annuity Due
39 - 40 Present Value Of An Ordinary Annuity
40 - 42 Finding Annuity Payments, Periods, and Interest Rates
42 - 44 Perpetuities
44 - 46 Uneven Cash Flows
46 - 47 Future Value Of An Uneven Flow Stream
48 - 50 Semiannual And Other Compounding Periods
50 - 51 Comparison Of Different Types Of Interest Rates
52 - 54 Amortized Loans
54 Tying It All Together

End Of Chapter Study Questions And Problems

54 - 55 Self Test: ST-1 a, c, d, e, f, g, h, I, j, k; ST-2; ST-3
55 - 56 Questions: 2-1; 2-2; 2-3; 2-4; 2-5; 2-7; 2-8
56 - 57 Problems I:2-1; 2-2; 2-3; 2-4; 2-9; 2-10; 2-11
56 - 60 Problems II:2-7; 2-8; 2-16; 2-18; 2-19; 2-20; 2-21; 2-31; 2-34; 2-37; 2-39
*Chapter 7: Bonds and Their Valuation

208 - 209 Who Issues Bonds?
209 - 213 Key Characteristics Of Bonds
213 - 216 Bond Valuation
216 - 218 Bond Yields
218 - 222 Changes In Bond Values Over Time
222 - 223 Bonds With Semiannual Coupons
223 - 227 Assessing The Riskiness Of A Bond
227 - 234 Default Risk
237 Tying It All Together

End Of Chapter Study Questions And Problems

237 Self Test: ST-1 a, b, c, e, f, g, h, i; j; k; l; ST-2 b
238 ) 239 Questions: 7-1; 7-2; 7-3; 7-4; 7-5; 7-7; 7-8;
239 Problems: 7-1; 7-3

*Chapter 8: Risk And Rates Of Return

246 - 257 Stand-Alone Risk
257 - 271 Risk In A Portfolio Context
271 - 277 The Relationship Between Risk And Rates Of Return
280 Tying It All Together

End Of Chapter Study Questions

280 ST-1: a, b, d, e, f, g, h, i, j, k, l

*Chapter 9: Stocks And Their Valuation

290 - 292 Legal Rights And Privileges Of Common Stock Holders
292 - 295 Types Of Common Stock
296 - 298 Common Stock Valuation
299 - 300 Expected Rate Of Return On A Constant Growth Stock
305 - 310 Valuing The Entire Corporation
310 - 313 Stock Market Equilibrium
315 Preferred Stock
316 - 317 Tying It All Together

End Of Chapter Study Questions And Problems

317 Self Test: ST-1 a, b, d, e, f, h, i, m; ST-3
318 Questions: 9-1; 9-4; 9-5
318 Problems: 9-2; 9-3;

*Chapter 10: The Cost of Capital

329 - 330 An Overview Of The Weighted Average Cost Of Capital
331 - 332 Basic Definitions
332 - 333 Cost Of Debt
333 - 334 Cost Of Preferred Stock
335 - 339 Cost Of Retained Earnings
340 - 343 Cost Of New Common Stock
343 - 344 Composite, or Weighted Average, Cost Of Capital
349 Tying It All Together

End Of Chapter Study Questions And Problems

349 Self Test: ST-1 a, b, c, d, e, f, g;
351 Questions: 10-2; 10-3
*Chapter 15: Working Capital Management*

499 Working Capital Terminology
499 - 503 Cash Conversion Cycle
504 - 507 Alternative Current Asset Financing Policies
507 - 511 The Cash Budget
520 - 523 Accounts Payable (Trade Credit)
523 - 527 Short-Term Bank Loans
527 - 528 Commercial Paper
528 - 529 Use Of Security In Short-Term Financing
529 Tying It All Together

End Of Chapter Study Questions And Problems

530 Self Test: ST-1 a, b, c, d, e, f, k, l, m, n, p, q
531 Questions: 15-2; 15-3; 15-4; 15-7; 15-8; 15-9
531 - 533 Problems: 15-3; 15-10

*Chapter 16: Financial Planning and Forecasting*

539 - 541 Strategic Planning
541 - 542 Sales Forecasts
542 - 545 The AFN Equation
553 Tying It All Together

End Of Chapter Study Questions

553 Self Test: ST-1 a, b, d

*Chapter 17: Multinational Financial Management*

563 - 566 Multinational Or Global Corporations
566 - 568 Multinational Versus Domestic Financial Management
568 - 570 The International Monetary System
570 - 573 Foreign Exchange Rate Quotations
573 - 574 Trading In Foreign Exchange
574 - 576 Interest Rate Parity
576 - 577 Purchasing Power Parity
577 - 580 Inflation, Interest Rates, and Exchange Rates
581 - 583 International Money And Capital Markets
589 Tying It All Together

End Of Chapter Study Questions

590 Self Test: ST-1 a, b, c, d, e, f, g, h, j, k, l, m, n, o, p, q
590 Questions: 17-1; 17-2; 17-3; 17-5; 17-6; 17-7