



QUINLAN
SCHOOL of BUSINESS

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FINC 334 Section 101,
Principles of Corporate Finance, Spring 2018
T, Th Schreiber Center 605

Catalog Description

Prerequisites: Sophomore standing, minimum grade of "C-" in ACCT 201, ECON 201 and ISOM 241.

The objective of this course is to provide students with an understanding of the principles of business finance: capital investment, financing, capital structure, and business ethics.

Outcome: Students will demonstrate knowledge of time value of money, financial decision making, the valuation of financial assets, the risk-return tradeoff, capital budgeting, and dividend policy.

Course Overview

You will learn the basic tools of finance. We will start with how to value distant and uncertain cash flows and move through understanding risk and applying the tools to make investment decisions for a firm and yourself. We will also survey the fundamental drivers of financing policy in a corporation and you will learn how stocks and bonds are valued and how financial markets interact with businesses. Unless you understand finance, you cannot have a thorough understanding of a company's decision-making process. What you learn in this course will help you understand the operations of your future employer (and enable you to be more successful at your job), and help you understand other companies you encounter in your role as competitor, consultant, or investor.

Course Objectives and IDEA Learning Outcomes

1. Learn the basic tools of finance (time value of money and terminology)
2. Learn the fundamental decision making principles of a financial manager
3. Apply fundamental principles to solve problems

Required Materials

Coursepack available from the University bookstore

A subscription to *The Wall Street Journal*

Recommended Materials

Berk, DeMarzo, and Harford, **Fundamentals of Corporate Finance**, Pearson/Prentice-Hall, 3rd edition.

Course Requirements and Grading Criteria

The course meets two times a week - one lecture each on Tuesdays and Thursdays. To get the most out of the lectures, read the lecture notes before class.

The lecture note is not a substitute for coming to class. There will be material that you will be responsible for that is not currently covered in the lecture notes.

All materials that I hand out in class and some additional materials will be made available on Sakai.

Please bring name cards to every class during the first 5-6 weeks of the semester.

In class participation: In class participation, which includes class attendance, will be the decisive factor if you are in the margin between grades. This means, good class participation can only help you!

The course grade is based on 3 in-class quizzes (75% total), stock case (15%), stock case presentation (5%) and class attendance/ participation (5%).

Course Grading Scale

A	100-93%
A-	92-90
B+	89-87
B	86-80
B-	79-77
C+	76-71
C	70-67
C-	66-60
D+	59-55
D	54-50
F	49 and below

Loyola University Grading Scale and Weights

A	4.00
A-	3.67
B+	3.33
B	3.00
B-	2.67
C+	2.33
C	2.00
C-	1.67
D+	1.33
D	1.00
F	0

Exams = Quizzes:

The quiz exams constitute 75% of your final grade. Please make a note of these exams and plan to be in class for these exams. Treat these test dates as you would an important meeting in the business world.

The general policy is that there are no make-up exams.

Exceptions for school athletes, sickness, and job interviews: Exceptional make-up exams require a letter from a physician or an employer. In order to be excused from an exam, you must contact me *prior to the exam* and be ready to provide me with documentation after the exam. In the absence of proper documentation for missing an exam, a zero score will be applies to the missed quiz.

1. The 1st quiz will be held in class on Thursday, February 8th.
2. The 2nd quiz will be held in class on Thursday, March 15th.
3. The final quiz will be held **in class** on Thursday, **April 26th**.

Note: There is no final examination for this course. The final quiz is during the last week of classes, not the finals week.

The quizzes will be closed book and closed notes, however, **you will be given a formula sheet with all of the necessary financial formulae**. Financial calculators will also be allowed during the exams. All three quizzes are not cumulative. The material covered on the first quiz provides a framework for understanding the material in the remainder of the course.

The graded quizzes will be distributed at the end of class one week after it is given (except for the last quiz). Solutions will be covered the following class.

There will be **one stock case** assigned. The case will be worth 15% of your grade. The case must be completed in groups of 4-5 people. The case has two objectives. First, some of the material cannot be adequately tested in an exam environment and therefore it is important to give you some incentive to learn that material. In addition, group projects give you the opportunity to work as part of a team to complete a successful project. If you feel that a member of your group has not contributed to the completion of the case, write me a memo stating so and signed by the other group members. Peer-evaluation scores may be included in the stock case grade. More information about cases will be given during class. The due date is April 24th in class.

There will be **group stock case presentations** at the end of the semester. Presentations will be worth 5% of your final grade. More details to be given later in a separate document.

Quinlan School of Business Policies:

Attendance

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. Faculty may set participation policies unique to their courses and use class participation as a component of the final grade. The student is responsible for any assignments or requirements missed during an absence.

Class participation includes not only attendance but active communication and discussion in class.

If you miss a class, make sure to get class notes from other students. It is the student's responsibility for any class material covered during missed or any other class.

Make-Up Examinations

Loyola University academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Because Quinlan faculty believe examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period. **Make-up examinations are discouraged.** Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (illness verified by a signed physician's note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

If a make-up examination must be given, it is the responsibility of the faculty member to prepare, schedule, and proctor the exam. The only regular exception is for a student athlete, who may use the testing services of the Athletics Department to complete a make-up examination. For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

Academic Integrity

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood...Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of “F” for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website:

<http://www.luc.edu/media/lucedu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf>

Instructor Policies

To minimize distractions, laptops must be closed during class. No texting/ browsing cell phones. Please be respectful of class participants and arrive to class on time.

Office Hours:

If you have been attending class but are still falling behind, visit me during my office hours. I have scheduled office hours so that you can be sure that I will be in my office if you make the effort to come see me. I have formal office hours on Tuesdays and Thursdays from 3-5pm. I will hold additional office hours in the week prior to an exam. If you need to see me, but cannot attend my scheduled office hours, e-mail or see me for an appointment (give me alternative 3 times that would be convenient for you). These meetings will be much more productive if you come well prepared, and you can express your difficulties in terms of a specific problem or concept covered in class. Be familiar with the definitions and notation related to a topic even if you are having conceptual difficulties. Most importantly, do not tell me that you understand something when you are still perplexed. It's ok to come to my office confused, but you should never leave in that state.

Re-grades:

If you believe that there was a mistake in the grading of your exam, ***within one calendar week*** following the return of the exam, submit the original exam and a separate *written explanation* of the points of contention to me. If the re-grade request is made after one calendar week or without an accompanying written explanation, no re-grade will be given. All re-grade decisions are final.

Helpful Hints:

Finance is easier to learn if you keep-up with the material weekly. You will not be able to understand the advanced concepts without investing time in learning the fundamentals. Perhaps more so than other subjects, finance is difficult to learn by cramming. If you do not do any work for the first three weeks of the course, it is very likely that you will be hopelessly lost for the remainder of the course. Spend an hour each day on this course outside class (or two hours every other day). You will spend less time in total and understand the material better than if you try to do it all the night before an exam.

Experience suggests that the best way to learn finance is by doing it. Most of the problems will look easy once you have seen the solution. Try not to read the solution until after you have (at least) thought about how you would solve the problem. Solutions are provided so you can get timely feedback on your own problem-solving attempts. You will probably find that the hardest part of finance is figuring out how to tackle the question (which tools to apply); once the approach is set-up, the follow through is easier. The only way to learn how to approach a problem you haven't seen before is through experience—the more practice you do, the more patterns you will see and the more confident in your intuition you will be.

If you are uncertain about any of the material covered during the week, speak-up during class or see me during office hours.

If you are serious about getting a business education and a job, you should be subscribing to the *Wall Street Journal*. It may not have the greatest sports section, but it is the authority on what's going on in the business world. If you get into the habit of reading the WSJ regularly (which most finance professionals do), then you will be much more knowledgeable and will

interview better. Interviewers do ask questions designed to determine whether you're paying attention to what's happening in current business affairs.

□ Part of the battle in learning finance is learning the lingo. Finance is full of specialized terms that you don't normally run across as an undergrad. You may be interested in *The WSJ Guide to Understanding Money and Investing* (available in bookstores and on Amazon) if you want a primer in finance and investing lingo. The book is an easy read and is a very useful introduction to concepts that will be valuable to you not only in a career in finance, but also in a lifetime of investing and personal financial planning.

Class by Class/Week by Week Course Outline

Course Calendar

			Topic	Readings	Notes
Tues	Jan	16	Class Introduction The Role of the Financial Mgr and the Goal of an Organization	Ch 1, Ch 3	Ch 2 is an accounting review
Thur	Jan	18	Time Value of Money	Ch 4.1-4.4	Prepare a (financial) calculator Form into groups of 4 for cases
Tues	Jan	23	Time Value of Money	Ch 4.1-4.4	
Thur	Jan	25	Perpetuities and Annuities	Ch 4.1-4.4	Stock Picks Due in Class
Tues	Jan	30	Time Value of Money Inflation	Ch 4.5-4.6	
Thur	Feb	1	Interest Rate Determinants Bond Valuation	Ch 6	Bond Valuation applies the material in Chpts 4 and 5
Tues	Feb	6	Quiz 1 Review/ Q&A	Ch 1-5	
Thur	Feb	8	Quiz 1		
Tues	Feb	13	Bond Valuation	Ch 6	
Thur	Feb	15	Corporate Bonds and Default Spreads	Ch 6	
Tues	Feb	20	Investment Decision Rules	Ch 7.1-7.5	One of the most important concepts learned in this class
Thur	Feb	22	Investment Decision Rules	Ch 7.1-7.5	
Tues	Feb	27	Capital Budgeting	Ch 8.1-8.4	
Thur	Mar	1	Capital Budgeting	Ch 8.1-8.4	
Tues	Mar	6	Spring Break NO CLASS		
Thur	Mar	8	Spring Break NO CLASS		
Tues	Mar	13	Quiz 2 Review/ Q&A		
Thur	Mar	15	Quiz 2		

Tues	Mar	20	Valuing Stocks	Ch 8.6	
Thur	Mar	22	Valuing Stocks	Ch 8.6	
Tues	Mar	27	Risk and Return	Ch 9	Starting on material for determining the discount rate
Thur	Mar	29	Easter Break NO CLASS		
Tues	Apr	3	Risk and Return	Ch 9	
Thur	Apr	5	Systematic Risk and the Equity Risk Premium	Ch10 & Ch 11	
Tues	Apr	10	Cost of Capital	Ch 11	
Thur	Apr	12	Cost of Capital & Capital Structure	Ch 11 & 12	
Tues	Apr	17	Stock Case Presentations		
Thur	Apr	19	Stock Case Presentations		
Tues	Apr	24	Quiz 3 Review/ Q&A		Stock Case Due
Thur	Apr	26	Quiz 3		

Please note: This class may occasionally deviate from the course outline above. The instructor reserves the right to make changes as needed to the course syllabus.