Course: Business Finance, FINC 3400-02  
Term: Winter Quarter 2019  
Class Time: Tuesdays and Thursdays: 8am – 10:05am  
Class Room: Pigott 102  
Instructor: Jim Huie  
Office Hours: Tuesdays and Thursdays: 10:15am – 11:30am (or by appointment)  
Office: Pigott 5th Floor, Adjunct Faculty Offices  
E-mail: jim_huie@hotmail.com  
Course Website: https://seattleu.instructure.com/courses/1582851

Description:
This course will introduce financial policies and practices of business firms; planning, control, and acquisition of short-term and long-term funds; management of assets; evaluation of alternative uses of funds; capital structure of the firm; cost of capital; financing growth and expansion of business firms.

Objectives:
At the end of this course the student should be able to:
- Identify the primary goal of a corporation and understand the nature of agency problems in a corporation.
- Perform financial statement analysis.
- Understand the role of internal and external funding in financial growth of the firm, and compute the amount of external funds needed.
- Understand and apply the concepts of time value of money and interest rate compounding.
- Perform basic bond and stock valuation.
- Identify the components of the required rate of return and compute the cost of debt and the cost of equity using the Capital Asset Pricing Model.
- Perform project evaluation by estimating the project’s incremental cash flows and applying capital budgeting tools.

Prerequisites:
- ECON 2130/271, ACCT 2300/230 and advanced standing in the Albers School.
- Regular access to e-mail and the course website

Required and recommended reading:
- Wall Street Journal (Recommended)

Calculator:
A business calculator is required. The Texas Instruments BA-II Plus calculator is recommended, but others are acceptable.

Course Website:
The course website will be used to provide the latest handouts and notes. Check the website regularly for materials and announcements.

Class Format:
- The class will be a combination of lecture, discussion and problem solving.
- Regular attendance and active class participation is highly recommended. This will enhance your learning and the learning of others.

Classroom Etiquette:
- Students are expected attend class and arrive on time.
- Students are expected to remain in the classroom and stay engaged.
- Mobile phones and other devices should be silenced during class.
- Individual grades may be adversely affected, if etiquette rules are violated.
Practice Problems and Homework:
It is important to keep up with the material and have experience with calculations. You may work in
teams of 2 to complete your homework assignments. Homework assignments must be completed using
MS-Word and MS-Excel. However, you also need to know how to complete the calculations using a
business calculator.

Examinations:
There will be 2 tests and a final examination. Please show all work and completely explain your answers
to earn full credit. The method used to solve a problem is as important as the solution. You will not be
allowed access to the textbook or your notes during tests and examinations.

Make-ups for tests and examinations will be approved for medical or professional travel reasons only.
You must provide advance notice before being approved for a make-up examination.

Grading:
Homework 10%
Test #1 17%
Test #2 18%
Project 20%
Final Exam 20%
Participation 15%

As noted above, class participation will account for 15% of your course grade. Students may obtain full
participation credit by following classroom etiquette rules. Missing class, arriving late and/or leaving early
will adversely affect participation credit. Special circumstances and emergencies are taken into
consideration and should be arranged in advance as situations may allow.

At the end of the course, a letter grade will be assigned (based on points earned as a percent of total
points) in general accordance with these guidelines:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Score</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>95 - 100</td>
</tr>
<tr>
<td>A-</td>
<td>90 - 94.99</td>
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<tr>
<td>B+</td>
<td>87 - 89.99</td>
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<tr>
<td>B</td>
<td>84 - 86.99</td>
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<tr>
<td>B-</td>
<td>80 - 83.99</td>
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<tr>
<td>C+</td>
<td>77 - 79.99</td>
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<tr>
<td>C</td>
<td>74 - 76.99</td>
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<tr>
<td>C-</td>
<td>67 - 73.99</td>
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<tr>
<td>D</td>
<td>60 - 66.99</td>
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<tr>
<td>F</td>
<td>&lt; 59.99</td>
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Audio or Videotaping in Class is Prohibited without Instructor's Prior Approval:
For protection of proprietary knowledge and other reasons, audio and videotaping of any class session is
prohibited without prior approval of the instructor. Under extreme circumstances or for a pre-approved
class absence, audio taping a class session will be allowed on a case by case basis and with the express
permission of the instructor. The student will be responsible for making all necessary arrangements.
Students will need to adhere to the appropriate agreed upon use of the content material of these tapes.

Cheating:
Cheating is not tolerated and will be dealt with as prescribed by the Student Code of Conduct.

Disabilities:
Students with disabilities are encouraged to arrange support services and/or accommodations through
Disabilities Services staff in the Learning Center, Loyola 100, (206) 296-5740. Disability-based
adjustments to course expectations can be arranged only through this process.
## Class Schedule:

<table>
<thead>
<tr>
<th>Session</th>
<th>Date</th>
<th>Time</th>
<th>Topic/Event</th>
<th>Textbook</th>
<th>Assignments Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tue 8-Jan-18</td>
<td>8am - 10:05am</td>
<td>Introduction to Financial Management</td>
<td>Chapter 1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Thu 10-Jan-18</td>
<td>8am - 10:05am</td>
<td>Financial Statements, Taxes and Cash Flow</td>
<td>Chapter 2</td>
<td>HW (chapter 1)</td>
</tr>
<tr>
<td>3</td>
<td>Tue 15-Jan-18</td>
<td>8am - 10:05am</td>
<td>Financial Statements, Taxes and Cash Flow</td>
<td>Chapter 2</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Thu 17-Jan-18</td>
<td>8am - 10:05am</td>
<td>Working With Financial Statements</td>
<td>Chapter 3</td>
<td>HW (chapter 2)</td>
</tr>
<tr>
<td>5</td>
<td>Tue 22-Jan-18</td>
<td>8am - 10:05am</td>
<td>Working With Financial Statements</td>
<td>Chapter 3</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Thu 24-Jan-18</td>
<td>8am - 10:05am</td>
<td>Introduction to Valuation: The Time Value of Money</td>
<td>Chapter 4</td>
<td>HW (chapter 3)</td>
</tr>
<tr>
<td>7</td>
<td>Tue 29-Jan-18</td>
<td>8am - 10:05am</td>
<td>Mid-Term 1</td>
<td>Chapters 1-3</td>
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<tr>
<td>8</td>
<td>Thu 31-Jan-18</td>
<td>8am - 10:05am</td>
<td>Introduction to Valuation: The Time Value of Money</td>
<td>Chapter 4</td>
<td></td>
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<tr>
<td>9</td>
<td>Tue 5-Feb-18</td>
<td>8am - 10:05am</td>
<td>Discounted Cash Flow Valuation</td>
<td>Chapter 5</td>
<td>HW (chapter 4)</td>
</tr>
<tr>
<td>10</td>
<td>Thu 7-Feb-18</td>
<td>8am - 10:05am</td>
<td>Interest Rates and Bond Valuation</td>
<td>Chapter 6</td>
<td>HW (chapter 5)</td>
</tr>
<tr>
<td>11</td>
<td>Tue 12-Feb-18</td>
<td>8am - 10:05am</td>
<td>Interest Rates and Bond Valuation</td>
<td>Chapter 6</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Thu 14-Feb-18</td>
<td>8am - 10:05am</td>
<td>Equity Markets and Stock Valuation</td>
<td>Chapter 7</td>
<td>HW (chapter 6)</td>
</tr>
<tr>
<td>13</td>
<td>Tue 19-Feb-18</td>
<td>8am - 10:05am</td>
<td>Equity Markets and Stock Valuation</td>
<td>Chapter 7</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Thu 21-Feb-18</td>
<td>8am - 10:05am</td>
<td>Risk and Return</td>
<td>Chapter 11</td>
<td>HW (chapter 7)</td>
</tr>
<tr>
<td>15</td>
<td>Tue 26-Feb-18</td>
<td>8am - 10:05am</td>
<td>Mid-Term 2</td>
<td>Chapters 4-7</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Thu 28-Feb-18</td>
<td>8am - 10:05am</td>
<td>Risk and Return</td>
<td>Chapter 11</td>
<td></td>
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<tr>
<td>17</td>
<td>Tue 5-Mar-18</td>
<td>8am - 10:05am</td>
<td>Net Present Value and Other Investment Criteria</td>
<td>Chapter 8</td>
<td>HW (chapter 11)</td>
</tr>
<tr>
<td>18</td>
<td>Thu 7-Mar-18</td>
<td>8am - 10:05am</td>
<td>Making Capital Investment Decisions</td>
<td>Chapter 9</td>
<td>HW (chapter 8)</td>
</tr>
<tr>
<td>19</td>
<td>Tue 12-Mar-18</td>
<td>8am - 10:05am</td>
<td>Making Capital Investment Decisions</td>
<td>Chapter 9</td>
<td>Individual Projects</td>
</tr>
<tr>
<td>20</td>
<td>Thu 14-Mar-18</td>
<td>8am - 10:05am</td>
<td>Review</td>
<td>Chapter 9</td>
<td>HW (chapter 9)</td>
</tr>
<tr>
<td></td>
<td>Fri 22-Mar-18</td>
<td>8am - 9:50am</td>
<td>Final Examination</td>
<td>Chapters 1-9, 11</td>
<td></td>
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</tbody>
</table>
Individual Investment Project

- $100,000 investment
- Select your investment portfolio (you must select at least 3 stocks)
- Use only actively traded stocks (limit your portfolio to 5 assets to simplify the project)
- Use Thursday, January 17, 2019 closing price as your purchase price
- Any un-invested funds may be left in the bank earning 0.50% annual interest
- Close date will be Friday, March 8, 2019
- Assume transaction costs of $10 per trade

1. Set up your portfolio using MS-Excel
2. Show purchase price and number of shares
3. Accurately include dividend payments, if applicable
4. You may re-allocate your portfolio investments on Friday, February 15, 2019 (this will complicate your return and risk calculations)

Calculations:

- (12%) Calculate the return of your investment portfolio over the 50 day period.
- (12%) Calculate the historical return volatility of one of your investments using previous 20 years of monthly close data (or weekly, if less than 10 years of data is available)
  - Use standard deviation as the measure of return volatility
  - Compare to S&P500 return volatility over the same period
  - Calculate the historical return correlation of one of your investments with the S&P500 over identical historical periods
- (12%) Compare and contrast return and risk of your portfolio to a proxy for the Market Portfolio (S&P 500 index) over the investment period
  - Calculate the daily return over the investment period to measure volatility
  - Calculate your portfolio’s beta using available on-line sources, such as Yahoo Finance or MSN Money
  - Calculate your portfolio’s expected return using the CAPM
    - Use 3-month Treasury Bill rate as the risk-free rate

Project Report (about 5-6 pages, double spaced, Times Courier, size 12 font)

1. (20%) Briefly describe your investment strategy, comment on results of your calculations and answer the following questions:
   - Compare your portfolio’s return over the investment period with the Market Portfolio
   - Did you outperform the Market Portfolio? What if you take the CAPM result into account?
   - Show all calculations used.
   - What might be some reasons your portfolio either outperformed or underperformed vis-à-vis the Market Portfolio?
   - Do you see any weaknesses with using the CAPM to calculate expected returns? Do you believe it fairly measures your portfolio’s performance?
   - What would you say to investors that trusted you with their money over this 50-day period?

2. (30%) Provide a detailed write-up of one of your investment selections. Include topics such as:
   - History of the company
   - Corporate structure
   - Products and services provided
   - Financial analysis
     - Financial ratios
   - Dividend policy
   - Growth strategy

3. (14%) Assess your performance during the investment period. Did you achieve your goals given your stated investment strategy? Would you propose any changes at the end of this period given your results and your forecast of the direction of the markets?