

# SEATTLE UNIVERSITY - Albers School of Business and Economics

## Course Syllabus: FINC 3400-02, Spring 2021

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**Course:** Business Finance, FINC 3400-02  
**Term:** Spring Quarter 2021  
**Class Time:** Tuesdays and Thursdays: 1:30pm – 3:35pm  
**Classroom:** Virtual – Online Synchronous  
**Instructor:** Jim Huie  
**Office Hours:** Tuesdays and Thursdays: 12:30pm – 1:15pm (Virtual – Online Synchronous)  
**Office:** Virtual – Online Synchronous  
**E-mail:** huieji@seattleu.edu  
**Course Website:** [FINC 3400 02 21SQ Business Finance \(instructure.com\)](https://instructure.com/courses/1234567/sections/1234567)

### 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:

- *Essentials of Corporate Finance (10<sup>th</sup> Edition)*; Ross, Westerfield & Jordan; McGraw-Hill/Irwin; ISBN: 978-1-260-01395-2 (Required. Please do not use other editions)
- Wall Street Journal or other daily business news (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 are required. 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 distractions should be silenced during class.

### **Practice Problems and Homework:**

It is important to keep up with the material and have experience with calculations. You may work in teams of 3 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 be allowed access to the textbook and 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	15%
Test #2	20%
Project	20%
Final Exam	25%
Participation	10%

As noted above, class participation will account for 10% 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:

95 - 100.00	A	77 - 79.99	C+
90 - 94.99	A-	74 - 76.99	C
87 - 89.99	B+	67 - 73.99	C-
84 - 86.99	B	60 - 66.99	D
80 - 83.99	B-	< 59.99	F

### **Academic Resources**

- Library and Learning Commons (<http://www.seattleu.edu/learningcommons/>) (This includes: Learning Assistance Programs, Research [Library] Services, Writing Center, Math Lab)
- Academic Integrity Tutorial (found on Canvas and SU Online)

### **Academic Policies on Registrar Website**

(<https://www.seattleu.edu/redhawk-service-center/academic-policies/>)

- Academic Integrity Policy
- Academic Grading Grievance Policy
- Professional Conduct Policy (only for those professional programs to which it applies)

### **Notice for students concerning Disabilities**

If you have, or think you may have, a disability (including an 'invisible disability' such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through Disabilities Services staff located in Loyola 100, (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

### **Notice Regarding Religious Accommodations**

It is the policy of Seattle University to reasonably accommodate students who, due to the observance of religious holidays, expect to be absent or endure a significant hardship during certain days of their academic course or program. Please see, Policy on Religious Accommodations for Students (<https://www.seattleu.edu/media/policies/Policy-on-Religious-Accommodations-for-Students---FINAL.pdf>).

### **Office of Institutional Equity**

Title IX of the Education Amendments of 1972 (Title IX) prohibits discrimination based on sex in educational programs or activities that receive Federal financial assistance. This prohibition includes sexual misconduct, which encompasses sexual harassment and sexual violence. Seattle U remains committed to providing a safe and equitable learning, living, and working environment. Seattle U offers emergency, medical, and other support resources, as well as assistance with safety and support measures, to community members who have experienced or been impacted by sexual misconduct. Seattle U requires all faculty and staff to notify the University's Title IX Coordinator if they become aware of any incident of sexual misconduct experienced by a student.

For more information, please visit <https://www.seattleu.edu/equity/>. If you have any questions or concerns, you may also directly contact the Title IX Coordinator in the Office of Institutional Equity (email: [oiie@seattleu.edu](mailto:oiie@seattleu.edu); phone: 206.296.2824) University Resources and Policies

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**Class Schedule:**

Session	Date	Time	Topic/Event	Textbook	Assignments Due
1	Tue 30-Mar-21	1:30pm - 3:35pm	Introduction to Financial Management	Chapter 1	
2	Thu 1-Apr-21	1:30pm - 3:35pm	Financial Statements, Taxes and Cash Flow	Chapter 2	HW (chapter 1)
3	Tue 6-Apr-21	1:30pm - 3:35pm	Financial Statements, Taxes and Cash Flow	Chapter 2	
4	Thu 8-Apr-21	1:30pm - 3:35pm	Working With Financial Statements	Chapter 3	HW (chapter 2)
5	Tue 13-Apr-21	1:30pm - 3:35pm	Working With Financial Statements	Chapter 3	
6	Thu 15-Apr-21	1:30pm - 3:35pm	Introduction to Valuation: The Time Value of Money	Chapter 4	HW (chapter 3)
7	Tue 20-Apr-21	1:30pm - 3:35pm	Mid-Term 1	Chapters 1-3	
8	Thu 22-Apr-21	1:30pm - 3:35pm	Introduction to Valuation: The Time Value of Money	Chapter 4	
9	Tue 27-Apr-21	1:30pm - 3:35pm	Discounted Cash Flow Valuation	Chapter 5	HW (chapter 4)
10	Thu 29-Apr-21	1:30pm - 3:35pm	Interest Rates and Bond Valuation	Chapter 6	HW (chapter 5)
11	Tue 4-May-21	1:30pm - 3:35pm	Interest Rates and Bond Valuation	Chapter 6	

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<b>Session</b>	<b>Date</b>	<b>Time</b>	<b>Topic/Event</b>	<b>Textbook</b>	<b>Assignments Due</b>
12	Thu 6-May-21	1:30pm - 3:35pm	Equity Markets and Stock Valuation	Chapter 7	HW (chapter 6)
13	Tue 11-May-21	1:30pm - 3:35pm	Equity Markets and Stock Valuation	Chapter 7	
14	Thu 13-May-21	1:30pm - 3:35pm	Risk and Return	Chapter 11	HW (chapter 7)
15	Tue 18-May-21	1:30pm - 3:35pm	Mid-Term 2	Chapters 4-7	
16	Thu 20-May-21	1:30pm - 3:35pm	Risk and Return	Chapter 11	
17	Tue 25-May-21	1:30pm - 3:35pm	Net Present Value and Other Investment Criteria	Chapter 8	HW (chapter 11)
18	Thu 27-May-21	1:30pm - 3:35pm	Making Capital Investment Decisions	Chapter 9	HW (chapter 8)
19	Tue 1-Jun-21	1:30pm - 3:35pm	Making Capital Investment Decisions	Chapter 9	Individual Projects
20	Thu 3-Jun-21	1:30pm - 3:35pm	Review		HW (chapter 9)
			Final Examination	Chapters 1-9, 11	

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### Homework

Homework is assigned for each chapter covered. I encourage you to work in teams of 2-3 persons to complete your homework. In general, homework must be submitted before class starts on the due date. We will discuss the homework in class, as needed. Only selected homework will be graded (at instructor's discretion).

Homework must be typed and printed. For calculation problems you should use MS-Excel, but you should also be able to solve the problems using a financial calculator.

Homework accounts for 10% of your overall grade.

- CTCR stands for Critical Thinking and Concepts Review section
- QP stands for Questions and Problems section

#### Chapter 1

CTCR: 1.1, 1.3, 1.5, 1.6, 1.12, 1.15

**Due: Thursday, April 1, 2021**

#### Chapter 2

CTCR: 2.1, 2.2

QP: 2.1, 2.2, 2.3, 2.4, 2.5, 2.10, 2.15, 2.16

**Due: Thursday, April 8, 2021**

#### Chapter 3

QP: 1, 2, 5, 6, 7, 8, 10, 15, 18, 19, 22, 23, 24, 25, 27, 33, 35 (all except  $f$  and  $k$ ), 36, 37, 38, 40

**Due: Thursday, April 15, 2021**

#### Chapter 4

QP: 2, 3, 4, 5, 6, 7, 9, 11, 12, 15, 18, 19, 21, 23, 24, 25, 26

**Due: Tuesday, April 27, 2021**

#### Chapter 5

QP: 1, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14, 15, 16, 18, 19, 20, 21, 24, 26, 27, 30, 31, 34, 35, 37, 39, 40, 41, 43, 45, 46, 47, 52, 55

**Due: Thursday, April 29, 2021**

#### Chapter 6

CTCR: 6.5, 6.15a, 6.15c

QP: 2, 3, 4, 5, 6, 7, 8, 18, 22, 26a, 26b

**Due: Thursday, May 6, 2021**

#### Chapter 7

CTCR: 7.1, 7.2, 7.3, 7.4, 7.6, 7.7, 7.8, 7.11

QP: 7.1, 7.2, 7.3, 7.4, 7.7, 7.8, 7.10 through 7.18

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Prepare for class discussion: Thursday, May 13, 2021

### Chapter 11

QP: 13, 14, 15, 16, 19

Due: Tuesday, May 25, 2021

### Chapter 8

QP: 3, 5, 6, 14, 15, 25

Prepare for class discussion: Thursday, May 27, 2021

### Chapter 9

QP: 1, 3, 9, 10, 20, 24

Prepare for class discussion: Thursday, June 3, 2021

## Team Investment Project

(2-3 members per team)

Due: Tuesday, June 1, 2021

- \$100,000 investment
  - Select your investment portfolio of 5 stocks (use only actively traded stocks)
  - Use Wednesday, April 7, 2021 closing price as your purchase price
  - Any un-invested funds are left in the bank earning 0.25% APR, compounded daily
  - Close date will be Thursday, May 27, 2021
  - 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, May 7, 2021 (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, 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 á 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?