

UNIVERSITY OF HAWAII AT MANOA
Shidler College of Business

FIN 307 -1 Business Finance, Spring 2020	Professor Joonho Kim
Class Meetings: 1:30-2:45PM Tuesdays & Thursdays	E602-K, 956-7276
Classroom: BUSAD D203	joonhok@hawaii.edu
Office Hours: 2-4pm Tuesdays and Thursdays, or by appointment	

Course Prerequisites:

BUS 314, or consent.

Course Objectives:

Corporate Finance is an application of a set of simple, powerful ideas. Valuation drives decision making. The firm should take projects for which the value of the benefits exceeds the value of the costs. This course aims to provide students with intermediate-level training in analyzing corporate fundamentals with emphasis on financial statement analysis and corporate valuation. Topics covered include financial statement analysis, growth management, financing decisions, capital budgeting, project and firm valuation.

Textbooks and materials:

- Primary: Berk, DeMarzo, and Harford, **Fundamentals of Corporate Finance**, Pearson/Prentice-Hall, 4th edition.
- Secondary 1: Higgins, **Analysis for Financial Management**, McGraw Hill, 11th edition
- Secondary 2: Berk and DeMarzo, **Corporate Finance**, Pearson/Prentice-Hall, 4th edition.
- Access to MyFinanceLab is required.
- Class slides and handouts will be available on Laulima before each class.
- A financial calculator is required. (Suggested model: Texas Instruments BA II Plus)

It is highly recommended that you subscribe to *the Wall Street Journal* (or any finance/economics related periodicals) to understand what is going on in the US and international financial markets. Please take about an hour every day to read it.

Grading Structure:

4 Take-home assignments	5 points each	20
7 End-of-chapter assignments	2 points each	14
2 Midterms	20 points each	40
Final exam	26 points	26
		<hr/>
		100 total

I grade on a curve with letter grades assigned only to the final course cumulative score. The distribution of the course grades may look close to the following:

Grade	Percentage	Grade	Percentage	Grade	Percentage
A+	Top 5% of class	A	Next 10%	A-	Next 15%
B+	Next 20%	B	Next 15%	B-	Next 15%
C+	Next 10%	C	Next 5%	C- or below	Next 5%

Course Operation:

The course meets twice a week, on Tuesdays and Thursdays. To get the most out of the lectures, read the slides and the related textbook chapters before the class. **The slides are not a substitute for coming to class.** There will be materials that you will be responsible for that is not covered in the slides. All materials that I hand out in class and some additional materials will be available on Laulima. To download the files, log on to *laulima.hawaii.edu*, using your UH username and password.

Take-home Assignments:

There will be **4 take-home assignments**. Each take-home assignment will count for 5% of your final grade. I will announce the details of the assignments later in the semester.

End-of-Chapter Assignments:

I will give 7 end-of-chapter assignments through MyFinanceLab. You will be given one week to complete each assignment from the time it was assigned to you. Each assignment will count for 2% of your final grade.

Exams:

There will be 2 midterm exams and a final. Midterm exams will be given during the normal class period. Final will be given during the final exam period. The exams may include short answer questions as well as multiple-choice questions. The exams will be closed book, but **you will be allowed to bring a letter-sized, hand-written formula sheet. Every word, number, letter and symbol on the sheet has to be hand-written. Formula sheets that do not meet this criteria will not be allowed.** Financial calculators will also be allowed during the exams. The exams are not cumulative. However, the material covered for the earlier exams provides a framework for understanding the material in the remainder of the course.

Make-up exams can only be given under unusual circumstances. If there is a reason you cannot take an exam as scheduled, you must make arrangements **before** the exam. In order to be able to make special exam arrangements, you have to thoroughly explain the circumstances to me and

produce proper documents that are prepared and signed by a third-party. Unless approved in advance, no make-up exam will be given.

Familiarity with the financial calculator (Recommended: Texas Instruments BA II Plus):

Please bring your financial calculator to every class. Students should become completely familiar with the use of their calculators. In addition to the classroom instruction, a good way to improve proficiency is to go through the entire financial section of the calculator user manual, or go through the calculator tutorial in MyFinanceLab. The user manual is also available on-line.

Ethical Issues in Finance:

Students will review and discuss Codes of Ethics for financial planners and financial analysts. The importance of the fiduciary role, client confidentiality and the role of an agent will be explored. Students will analyze actual ethical problems that have arisen in financial institutions/markets and hypothetical cases involving ethical issues in a business financial setting.

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. My formal office hours are Tuesdays and Thursdays from 2 to 4 pm. If you need to see me, but cannot attend my scheduled office hours, please e-mail, call, or see me after class for an appointment. **I cannot emphasize this more, but if you have difficulties in understanding the course material, please let me know early.** I am committed to working with you and to provide resources to help you succeed in this course.

Academic Dishonesty:

Instances of academic dishonesty, as defined by the University Student Conduct Code (http://www.studentaffairs.manoa.hawaii.edu/policies/conduct_code), will not be tolerated and any instance of academic dishonesty may result in a grade of "F." Further disciplinary sanctions may also be imposed by the Dean of Students in accordance with the fore-mentioned Student Conduct Code.

Dropping the Class:

For deadlines and information, check www.hawaii.edu/myuh/manoa.

Disability Access:

Students with disabilities are encouraged to contact the KOKUA Program for information and services. Services are confidential and students are not charged for them. Contact KOKUA at 956-7511 (voice/text), kokua@hawaii.edu, or Student Services Center, Room 13.

Class Schedule:

Adjustments to the schedule or assignments, should they be necessary, will be announced in class.

*BDH: Berk, DeMarzo, Harford | H: Higgins | BD: Berk, DeMarzo

Session	Date / Day		Topics	Readings*	Class Slides
1	14-Jan	Tues	Syllabus, Introduction	BDH: 1 H: 1	Slides 1
Module 1: Evaluating Financial Performance					
2	16-Jan	Thurs	Review of Financial Statements	BDH: 2,19 H: 1	Slides 1
3	21-Jan	Tues	Return on Equity (ROE) and financial ratios	BDH: 2,19 H: 2	Slides 2
4	23-Jan	Thurs	Financial ratios, continued	BDH: 2,19 H: 2	Slides 2
5	28-Jan	Tues	Ratio analysis	BDH: 2,19 H: 2	Slides 2
6	30-Jan	Thurs	Ratio analysis, continued	BDH: 2,19 H: 2	Slides 2
Module 2: Financial forecasting					
7	4-Feb	Tues	Pro Forma statements	BDH: 18 H: 3	Slides 3
8	6-Feb	Thurs	Percent-of-sales forecasting	BDH: 18 H: 3	Slides 3
9	11-Feb	Tues	Percent-of-sales forecasting, continued	BDH: 18 H: 3	Slides 3
10	13-Feb	Thurs	Managing growth	BDH: 18 H: 4	Slides 3
11	18-Feb	Tues	Managing growth	BDH: 18 H: 4	Slides 3
12	20-Feb	Thur	Midterm I		
Module 3: Financial policy and Investment decisions					
13	25-Feb	Tues	Debt and equity decisions	BDH: 14,15 H: 5	Slides 4
14	27-Feb	Thurs	Financial leverage and risk	BDH: 16 H: 6	Slides 4-5
15	3-Mar	Tues	Costs and benefits of financial leverage	BDH: 16 H: 6	Slides 5
16	5-Mar	Thurs	Review of time value of money	BDH: 8 H: 7	Slides 6
17	10-Mar	Tues	Capital budgeting: Decision rules I	BDH: 8 H: 7	Slides 6
18	12-Mar	Thurs	Decision rules, continued	BDH: 8 H: 7	Slides 6
	17-Mar	Tues	No class: Spring recess		
	19-Mar	Thurs	No class: Spring recess		
19	24-Mar	Tues	Mutually exclusive projects and capital rationing	BDH: 8 H: 7	Slides 6
	26-Mar	Thurs	No class: Kuhio Day		
20	31-Mar	Tues	Midterm II		
Module 4: Cost of capital and Business valuation					
21	2-Apr	Thurs	Capital budgeting exercise	BDH: 9 H: 7	Slides 7
22	7-Apr	Tues	Cost of equity and debt capital	BDH: 13 H: 8	Slides 8
23	9-Apr	Thurs	Weighted average cost of capital	BDH: 13 H: 8	Slides 8
24	14-Apr	Tues	Cost of capital for individual projects	BDH: 13 H: 8	Slides 8
25	16-Apr	Thurs	Decision tree analysis	BD: 22	Slides 9
26	21-Apr	Tues	Decision tree analysis	BD: 22	Slides 9
27	23-Apr	Thurs	Real options: Option to delay investment	BD: 22	Slides 9
28	28-Apr	Tues	Real options: Option to Expansion, Abandon	BD: 22	Slides 9
29	30-Apr	Thurs	Real options: Staged investment	BD: 22	Slides 9
30	5-May	Tues	Real options: Using Black-Scholes Option Model	BD: 22	Slides 10
31	7-May	Thurs	Final Review Session		
32	12-May	Tues	Final Exam 12:00 – 2:00 PM, same classroom		