

Principles of Corporate Finance – EBGN 345-A

Instructor: Dr. Becky Lafrancois

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Office Hours: 1-3PM Tuesday, Wednesday, and Thursday or by appointment*

*You may schedule appointments outside of office hours through email.

Class Meetings: Tuesday and Thursday, 11:00-12:15

Class Location: Marquez Hall – Room 335

Course Web Pages: Blackboard and Connect

Instructional Activity: 3 hours lecture

Semester Hours: 3

Course Designation: Economics and Business Elective

Course Description

The objective of this course is to introduce you to the principles of asset valuation and financing in competitive financial markets. The course will provide an overview of modern finance. Introduction to corporate finance, financial management, and financial markets. Time value of money and discounted cash flow valuation, risk and returns, interest rates, bond and stock valuation, capital budgeting and financing decisions. Introduction to financial engineering and financial risk management, derivatives, and hedging with derivatives.

Prerequisites: EBGN201

Required Materials

Textbook/ebook – *Fundamentals of Corporate Finance 11th Edition* – Ross, Westerfield, and Jordan

Online Portal for Homework – *Connect for Fundamentals of Corporate Finance*

To access Textbook and Homework:

<http://connect.mheducation.com/class/b-lafrancois-ebgn345---fall-2016>

Student Learning Outcomes

At the end of the course, students will:

- Understand the make-up of the different financial statements
- Determine the overall health of a firm by analyzing its financial statements
- Understand the concept of interest and compounding
- Determine the present value of annuities and perpetuities
- Determine the value of bonds and stocks
- Determine the net present value of a project
- Understand the tradeoff between risk and return
- Understand the logic and use of the Capital Asset Pricing Model
- Understand the benefits from diversification

- Distinguish between systematic, idiosyncratic, business, and financial risk
- Determine the effect of debt on firm valuation
- Understand determinants of capital structure

Topics Covered – additional detail in course calendar

Section 1: Introductory Materials
 Section 2: Valuation of Future Cash Flows
 Section 3: Risk and Return
 Section 4: Cost of Capital and Long Term Financial Policy
 Section 5: International Corporate Finance
 Section 6: Derivatives
 Section 7: Capital Budgeting

Grading

Your grade in this class will be based on your overall percent average, using the following guidelines:

A =	90-100%
B =	80-89.999%
C =	70-79.999%
D =	60-69.999%
F =	below 60%

These guidelines are subject to change, but if you score in the stated range you are guaranteed at least the corresponding grade.

Grades will be maintained and posted on Blackboard.

Summary of Course Components and Grading

Components:	<u>Option 1</u>	<u>Option 2</u>
1. Homework and Online Homework	15%	15%
2. In-class Exercises	10%	10%
3. Semester Project	35%	35%
4. Exams	40%	40% - LearnSmart
5. LearnSmart	<u>0%</u>	<u>up to 5%</u>
	100%	100%

Grievance Procedure: Anyone feeling that a dispute exists after the grading of any assignment or exam may submit a written grievance. The grievance should identify the item in dispute and arguments supporting the student's position. Grievances must be submitted in writing within two class periods following the return of the assignment or exam. I will return a written response within two class periods after receipt.

Grading Components

Homework Problems and Online Homework – 15% of final grade

Most homework assignments will be conducted using the Connect online learning system. Due dates will be announced in class and posted on Blackboard. There may be other homework assignments that are submitted in class or on Blackboard.

In-Class Problems – 10% of final grade

A portion of class time will be devoted to working on problems individually or in groups. You will turn in these problems for credit. Credit will be given based on participation and correctness on a scale of 0 to 3, where:

- 0 = 0% -- no participation in assignment
- 1 = 50% -- minimal participation/correctness
- 2 = 85% -- good participation/correctness
- 3 = 100% -- excellent participation/correctness

Semester Project – 35% of final grade

The semester long group project will require you to study a single company for the entire semester and apply many of the concepts that we study over the semester to that firm. There will be three separate due dates over the course of the semester and a final presentation at the end of the semester. Grading will be based on instructor and peer evaluations.

Exams – 20% each – 40% of final grade

Two exams will be conducted in class. The exams will be comprised mostly of problem solving and analysis of financial information. The exams will be open notebook, as this is not a course about memorization but one where you will learn to use tools to analyze company performance.

*Exam Dates: **October 11 and November 22 (this is the Tuesday of Thanksgiving week, so please plan accordingly)***

*** LearnSmart – 5% – optional**

LearnSmart is an adaptive learning resource that is designed to maximize productivity and efficiency in learning. It is combined with the SmartBook. I will post LearnSmart activities for most chapters. Each LearnSmart activity that you do will reduce the weight of your exams by 0.5 percent, up to a maximum of 5 percent. This is the only opportunity for “extra credit”.

Course Attendance Policy

Please be familiar with the Attendance Policy for the Colorado School of Mines:

<http://inside.mines.edu/Student-Absences>

Exams: The dates of exams are indicated on this syllabus. Please mark your calendars early. I generally do not offer make-up exams, unless there are extenuating circumstances. These circumstances include documented illness, family emergencies, and business/athletic/school related trips. **Excused absences are required for make-up exams to be scheduled.**

Lectures: I expect students to regularly attend and participate in class. If you miss a lecture, it is your responsibility to get any notes and assignments from that class. It is up to you to master the subject matter of the course and to demonstrate the ability to use the tools covered at an acceptable skill level.

Coursework Return Policy

Homework assignments will be graded online and results will be made available immediately. Quizzes will be graded within one week and will be available for review in class.

Students with Disabilities

Colorado School of Mines complies with all federal and state laws and regulations regarding discrimination, including the Americans with Disabilities Act of 1990. If you have a disability and need a reasonable accommodation for equal access to education or services at Colorado School of Mines, please contact the Disability Services Office at 1770 Elm St. – Wellness Center 209, by calling 303-273-3297, or emailing Katie Ludwin kludwin@mines.edu. If you have a disability that could affect your performance in this class or that requires an accommodation under the Americans with Disabilities Act, please see me as soon as possible so that we can make appropriate arrangements.

- Disability Services Website: <http://disabilities.mines.edu/>

Policy on Academic Integrity/Misconduct

The Colorado School of Mines affirms the principle that all individuals associated with the Mines academic community have a responsibility for establishing, maintaining an fostering an understanding and appreciation for academic integrity. In broad terms, this implies protecting the environment of mutual trust within which scholarly exchange occurs, supporting the ability of the faculty to fairly and effectively evaluate every student's academic achievements, and giving credence to the university's educational mission, its scholarly objectives and the substance of the degrees it awards. The protection of academic integrity requires there to be clear and consistent standards, as well as confrontation and sanctions when individuals violate those standards. The Colorado School of Mines desires an environment free of any and all forms of academic misconduct and expects students to act with integrity at all times.

Academic misconduct is the intentional act of fraud, in which an individual seeks to claim credit for the work and efforts of another without authorization, or uses unauthorized materials or fabricated information in any academic exercise. Student Academic Misconduct arises when a student violates the principle of academic integrity. Such behavior erodes mutual trust, distorts the fair evaluation of academic achievements, violates the ethical code of behavior upon which education and scholarship

rest, and undermines the credibility of the university. Because of the serious institutional and individual ramifications, student misconduct arising from violations of academic integrity is not tolerated at Mines. If a student is found to have engaged in such misconduct sanctions such as change of a grade, loss of institutional privileges, or academic suspension or dismissal may be imposed.

- The complete policy is [online](#).

Course Outline*

Topics	Chapter
Section 1: Introductory Materials	
The Corporation	1
Introduction to Financial Statements	1
Introduction to Corporate Taxation	1
Introduction to Cash Flows	2
Financial Statement Analysis	2, 3
Ratio Analysis and DuPont Decomposition	3
Section 2: Valuation of Future Cash Flows	
Introduction to Time Value of Money	5
Discounted Cash Flow Valuation	5, 6
Annuities and Perpetuities	6
Loan Types and Amortization	6
Interest Rates and Bond Valuation	7
Stock Valuation	7
Stock Markets	7
Section 3: Risk and Return	
Capital Market History	12
Efficient Markets Hypothesis	12
Expected Returns and Variances	13
Types of Risk	13
Diversification and Portfolio Risk	13
SML and CAPM	13
Section 4: Cost of Capital and Long Term Financial Policy	
Weighted Average Cost of Capital	14
Capital Structure Policy	16
Raising Capital	15
Dividends Policy	17
Section 5: International Corporate Finance	
Foreign Exchange Markets and Exchange Rates	21
Purchasing Power Parity	21
Exchange Rate and Political Risk	21
Section 6: Derivatives	
Introduction to Options	Supplement
Option Valuation	Supplement
Hedging	Supplement
Section 7: Capital Budgeting	
NPV and the Payback Rule	9
Discounted Payback and Internal Rate of Return	9

* Course content subject to change. All changes will be announced in class and online. It is your responsibility to keep up with posted announcements.