

---

# **BUSINESS FINANCE 420**

## ***Syllabus***

**Spring Quarter 2004**  
**Monday and Wednesday 3:30pm – 5:18pm**  
**131 Hitchcock Hall**

***Course Website – <http://class.osu.edu>***

---

**Instructor:** Dr. Bill Rives  
**Phone:** 292-6436  
**Fax:** 292-2418  
**Office:** 638 Fisher Hall  
**E-Mail Address:** Use WebCT for all course correspondence  
**Office Hours:** To be announced in class

### **COURSE DESCRIPTION AND OBJECTIVES**

This course provides an introduction to the field of finance. The course explores three general skills required not only of corporate financial managers, but also of all persons who seek to manage their own financial affairs:

- The valuation of uncertain future cash flows
- The nature of financial risk
- The relation between financial risk and return.

These skills anchor the three major branches of contemporary finance – Investments, financial management, and financial institutions and markets.

Students who complete this course will have examined the following topics:

- Finance and the financial infrastructure of the US economy
- The time value of money (introduction to cash flow valuation)
- Valuing corporate securities (stocks and bonds)
- Valuing business investment projects (introduction to capital budgeting)
- The basics of investment return and risk
- Pricing financial risk (the Capital Asset Pricing Model)
- Investment information and transactions (investing in stocks and bonds)
- Mutual funds and professional investment management
- Asset allocation and personal investment decisions

## **COURSE MATERIALS**

### ***Required Course Text***

Gitman and Madura, ***INTRODUCTION TO FINANCE***, first edition, published by Addison-Wesley-Longman, ISBN 0201635372, available at the bookstores.

### ***Required Calculator***

If you do not already own one, you should purchase a financial calculator, such as the HP-12C or TI-83 (which have pre-programmed financial functions). You may use a scientific calculator in the course, but you will find some calculations tedious (and time-consuming).

If you are majoring (or planning to major) in business, finance or a related field, a financial calculator (like the HP-12C or TI-83) would be a good investment.

PDA's, laptops and similar devices, which have the capability to store text, may NOT be used on exams. Should you have questions about the "suitability" of a calculator for this course, including its use on exams, please see the instructor.

### ***WebCT Course Website***

See the discussion of the role of WebCT in the next section (below).

### ***Suggested Readings***

***The Wall Street Journal***

***Business Week***

***Fortune***

***Forbes***

***US News & World Report***

All these publications have websites (with free content), in addition to the print (hardcopy) editions.

From time to time, we will post material to the course website for your review. You are responsible for any such material we discuss in class.

## WebCT COURSE WEBSITE

The course website is located on WebCT. The following table provides information on accessing the website for this course. You must be registered for the course to access the course website.

<b>Course URL:</b>	<b><a href="http://class.osu.edu/">http://class.osu.edu/</a></b>
<b>Course Access:</b>	<p>Click on the <b>Logon to myWebCT</b> link. <b>WebCT</b> will ask for a username and password. For <b>username</b>, enter your OSU Internet username (the portion of your e-mail address before the “@osu.edu”): <i>Example:</i> OSU email address: <b>smith.123@osu.edu</b> WebCT username: <b>smith.123</b></p> <p>For <b>password</b>, enter the same password you use for your OSU e-mail and to enroll online for courses.</p> <p>Once you are logged on, you will see a list of courses for which you are registered that use WebCT. Click on the link for Business Finance 420.</p> <p>If you are not registered for Business Finance 420, you will not be able to logon to the course website.</p>
<b>Activate Email:</b>	<b>Visit <a href="http://www.oit.ohio-state.edu/userpass.html">http://www.oit.ohio-state.edu/userpass.html</a> [click on HOW TO ACTIVATE] or Call 688-HELP</b>

### **WebCT Basics**

- The information presented in the table immediately above will enable you to access the course website.
- Students are expected to have activated and accessed the class website **before the second class meeting**.
- Students are responsible for checking the course website on a regular basis for new information that might have been posted.
- Students should check their grade record on WebCT after each exam, to make sure all grades have been recorded correctly.

**Role of Course Website**

- **E-Mail**

The course website contains an e-mail address for each student registered for the course, along with an e-mail address to be used for the instructor (the first address shown in the site's address book). You should use these addresses to correspond with other students and the instructor on matters related to the course.

You should use WebCT email to correspond with the instructor, unless you are told to use a different e-mail address.

- **Discussion Board**

The course website has a discussion board, which allows you to communicate with other students in class by posting messages which can be read by the entire class. Please note that posting a message to the discussion board and sending an e-mail message are NOT the same thing!! E-mail is personal correspondence; discussion board notices are class-wide announcements.

Discussion board notices are threaded, so you can follow the pattern of comments from the first posting to the most recent.

The instructor will monitor discussion board traffic, and may post comments or join discussions from time to time.

<p><b>DO NOT USE THE DISCUSSION BOARD TO SEND A PERSONAL MESSAGE TO THE INSTRUCTOR. USE E-MAIL TO CORRESPOND WITH THE INSTRUCTOR.</b></p>
---

- **Other important course resources found on the course website:**

Course syllabus

Course announcements

Supplemental course material used (or mentioned) in class

PowerPoint lecture slides (to be posted on a flow basis during the quarter)

Posted exam scores (privately for each student)

Sample exam questions

Exam formula sheets

Websites for companies mentioned in class

Information on career opportunities in finance and related business professions

## EXAMINATIONS

- There will be three exams during the course. Each exam will cover certain chapters in the course text. The chapters covered by each exam can be found in the **Course Schedule** (see below). All exam questions follow a multiple-choice format.
- You will be provided with a **Formula Sheet** for use on each exam. We plan to post a copy of each Formula Sheet to the course website for your review roughly a week before the exam. A copy also will be attached to your exam for reference during the exam. By giving students formula sheets on exams, we hope to reduce the amount of time too many students waste memorizing mathematical expressions, rather than working to understand important financial concepts.
- You also will be provided with a set of **sample questions** in advance of each exam. These will be posted on the course website for your review, and are intended to give you an idea of how actual exam questions will look and also an opportunity to check your understanding of financial concepts and techniques by using the questions in a simulated exam. Each set of sample questions includes an answer key.
- You should bring to each exam (1) your calculator, (2) several #2 pencils, which you will need for the “bubble” sheet, and (3) a valid picture ID. You will not be permitted to take an exam, if you are asked to present a **valid photo ID** and do not have one.
- All exams are “closed book.” Except for a Formula Sheet (if provided), you may not use any reference material to help you answer exam questions.
- As a general rule, make-up exams are not given in this course. However, a student may be allowed to take a make-up exam, if in the opinion of the instructor, there are special or extenuating circumstances. Without permission to take a make-up exam, failure to take an exam will result in a grade of zero on the exam in question. Under no circumstances will a student be excused from an exam.
- The exam requirement in this course, to include the scope and content of individual exams, may be modified at any time during the course with appropriate prior notice.

### **Policy on Exam Re-Grading**

If you believe your exam was not graded correctly or completely, you should notify the instructor, so your exam can be re-graded. When an exam is re-graded, all questions are re-graded, not just certain questions. All requests for re-grading must be made by the last regular class of the quarter. The instructor may amend this policy at any time, with appropriate prior notice.

## COURSE GRADING POLICY

- Your final course grade will be determined by the following factor distribution:

Exam 1	Grading Weight = 33%
Exam 2	Grading Weight = 33%
Final Exam	Grading Weight = 34%

- Each exam will have substantially the same number of questions.
- Each** exam score will be standardized to a mean score of 80%.
- In grade standardization, when the actual mean on an exam or assignment is less than 80% of the total points possible, we add this difference to your original score, to obtain your standardized score. When the actual mean is greater than or equal to 80% of the total points possible, we do not standardize (“curve”) original scores. In this case, your original score is your standardized score.
- The adjusted percent score for **each** exam will be derived from the corresponding standardized score:

$$\text{Adjusted Percent Score} = \left[ \frac{\text{Standardized Score}}{\text{Total Points Possible}} \right] \times 100$$

Adjusted percent scores for the exams will be averaged (simple average) to obtain an **Overall Percent Score** for the course.

- The **Overall Percent Score** for the course will then be converted to a course letter grade, using the following grading scale:

A	Overall Percent Score GE 93%
A –	Overall Percent Score GE 89% and LT 93%
B +	Overall Percent Score GE 86% and LT 89%
B	Overall Percent Score GE 83% and LT 86%
B –	Overall Percent Score GE 80% and LT 83%
C +	Overall Percent Score GE 77% and LT 80%
C	Overall Percent Score GE 73% and LT 77%
C –	Overall Percent Score GE 70% and LT 73%
D +	Overall Percent Score GE 66% and LT 70%
D	Overall Percent Score GE 60% and LT 66%
E	Overall Percent Score LT 60%

- Exam scores used in the course grade calculation (shown above) are those scores posted on the course website at the conclusion of the course.
- All scores to be standardized will be standardized across all sections of the course, should the course contain more than one section.
- We reserve the right to correct grades and grade-related entries on the course web site, should we determine such entries were posted incompletely or incorrectly.

## **COURSE EXPECTATIONS**

### **The instructor will:**

- treat students in a courteous and professional manner, as responsible adults;
- incorporate practical examples and current events in class, whenever possible;
- be prepared to start and stop lectures on time;
- present an outline of each lecture at the start of class; and
- do his best to answer student questions during class (some questions may have to be answered outside class).

### **As a student in this course, you are expected to:**

- treat the instructor in a courteous and professional manner;
- complete reading and problem assignments in a timely manner;
- bring your calculator to class on a regular basis (to work problems in class);
- bring to the attention of the instructor any problem you have, so we can attempt to resolve it in an effective and timely manner;
- obtain a copy of any material distributed in class;
- check the course website on a regular basis for new information (discussion-board postings and e-mail messages) and other course material; and
- follow the course policies and procedures published in this syllabus.

Perhaps most importantly, students should make every effort to stay in touch with the course (“remain connected”) during the quarter. **DON'T FALL BEHIND!!**

## **ACADEMIC MISCONDUCT**

- In accordance with **University Faculty Rule 3333-5-487**, all instances of alleged academic misconduct will be reported to the Committee on Academic Misconduct, which recommends appropriate sanctions to the Office of Academic Affairs.
- We aggressively pursue violations of University standards on academic conduct.

## **COURSE SCHEDULE**

The following course calendar presents the schedule for:

- lecture topics;
- reading and problem assignments in the required course text;
- exams and exam review sessions; and
- other significant course business.

Unless otherwise indicated, all reading assignments published in this syllabus can be found in the required course textbook (see ***Required Course Text***, above).

Your course textbook has a set of questions at the end of each chapter (the “Chapter Exercises”) designed to help you assess your understanding of chapter topics. Some of these problems have been selected from each chapter and appear on the following ***Course Schedule*** (see “End-of-Chapter Problems”). You should try to answer these problems after you finish reading a chapter, to check your understanding of the topics covered. Detailed solutions to ALL end-of-chapter problems are posted to the course website.

Additional assignments may be made during the quarter. Should this occur, you can expect to be notified through an announcement in class, an e-mail, or a message on the discussion board. All such assignments will be posted on the course website.

## COURSE SCHEDULE

<b>Class Dates</b>	<b>Lecture Topics and Assignments</b>
MAR 29 MON	<p style="text-align: center;"><b>COURSE ADMINISTRATION AND INTRODUCTION</b></p> <p>Distribution of course documents and discussion of course policies and procedures Introduction to finance as a field of study and a career</p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 1               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 2, 4, 6, 12, 13</li> </ol> </li> </ol>
MAR 31 WED	<p style="text-align: center;"><b>FINANCIAL INSTITUTIONS AND MARKETS</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 2               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 4, 5, 7</li> </ol> </li> </ol>
APR 5 MON	<p style="text-align: center;"><b>CORPORATE SECURITIES</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 3               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 4, 5</li> </ol> </li> </ol>
APR 7 WED	<p style="text-align: center;"><b>INTEREST RATES THE TIME VALUE OF MONEY</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 4               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 8, 9, 10, 13</li> </ol> </li> <li>2. Read Chapter 5 (101-14 and 120-27; exclude continuous compounding)               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 2, 4, 6, 10, 11</li> </ol> </li> </ol>
APR 12 MON	<p style="text-align: center;"><b>THE TIME VALUE OF MONEY</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 5 (114-20 and 127-34)               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 7, 13, 14, 19, 27, 29</li> </ol> </li> </ol>
APR 14 WED	<p style="text-align: center;"><b>REVIEW SESSION FOR EXAM 1</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Review material covered to date in Chapters 1, 2, 3, 4, 5</li> <li>2. Bring questions to class for discussion</li> </ol>

<b>Class Dates</b>	<b>Lecture Topics and Assignments</b>
	<p style="text-align: center;"><b>EXAM 1</b>            Material covered to date in Chapters 1, 2, 3, 4, 5            Monday, APR 19, Hitchcock 131, during the regular class period  <b>Photo ID Required</b></p> <p style="text-align: center;"><b>Remember to bring your calculator and a valid photo ID</b></p>
<p>APR 21 WED</p>	<p style="text-align: center;"><b>INTRODUCTON TO RETURN AND RISK</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 6 (147-161)               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 2, 3, 4</li> </ol> </li> </ol>
<p>APR 26 MON</p>	<p style="text-align: center;"><b>THE CAPITAL ASSET PRICING MODEL</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 6 (161-70)               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 13, 14, 16, 17, 20</li> </ol> </li> </ol>
<p>APR 28 WED</p>	<p style="text-align: center;"><b>VALUATION</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 7               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 4, 7, 11, 12, 14, 17, 19</li> </ol> </li> </ol>
<p>MAY 3 MON</p>	<p style="text-align: center;"><b>INTRODUCTION TO FINANCIAL MANAGEMENT</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 9               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 3, 4, 5, 6, 8, 9, 10, 11, 13</li> </ol> </li> </ol>
<p>MAY 5 WED</p>	<p style="text-align: center;"><b>BUSINESS INVESTMENT DECISIONS</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 11 (327-338)               <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 2, 3, 4, 5, 8, 10, 12</li> </ol> </li> </ol>
<p>MAY 10 MON</p>	<p style="text-align: center;"><b>REVIEW SESSION FOR EXAM 2</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Review material covered to date in Chapters 6, 7, 9, 11</li> <li>2. Bring questions to class for discussion</li> </ol>

<b>Class Dates</b>	<b>Lecture Topics and Assignments</b>
	<p style="text-align: center;"><b>EXAM 2</b>                      Material covered to date in Chapters 6, 7, 9, 11                      Wednesday, MAY 12, Hitchcock 131, during the regular class period  <b>Photo ID Required</b></p> <p style="text-align: center;"><b>Remember to bring your calculator and a valid photo ID</b></p>
<p>MAY 17 MON</p>	<p style="text-align: center;"><b>INVESTMENT INFORMATION AND TRANSACTIONS</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 16                             <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 5, 7, 10, 12</li> </ol> </li> </ol>
<p>MAY 19 WED</p>	<p style="text-align: center;"><b>INVESTING IN DEBT SECURITIES</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 19                             <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 3, 4, 6, 7, 8, 11, 12, 15</li> </ol> </li> </ol>
<p>MAY 24 MON</p>	<p style="text-align: center;"><b>MUTUAL FUNDS AND ASSET ALLOCATION</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Read Chapter 20                             <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 1, 3, 4, 6, 8, 9</li> </ol> </li> </ol>
<p>MAY 26 WED</p>	<p style="text-align: center;"><b>MUTUAL FUNDS AND ASSET ALLOCATION</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Review Chapter 20                             <ol style="list-style-type: none"> <li>a. Prepare chapter exercises 11, 12, 13</li> </ol> </li> </ol>
<p>MAY 31 MON</p>	<p style="text-align: center;"><b>NO CLASS – MEMORIAL DAY HOLIDAY</b></p>
<p>JUN 2 WED</p>	<p style="text-align: center;"><b>REVIEW SESSION FOR FINAL EXAM</b></p> <p><b>Assignment</b></p> <ol style="list-style-type: none"> <li>1. Review material covered to date in Chapters 16, 19, 20</li> <li>2. Bring questions to class for discussion</li> </ol>

<b>Class Dates</b>	<b>Lecture Topics and Assignments</b>
<p style="text-align: center;"><b>FINAL EXAM</b> Material covered to date in Chapters 16, 19, 20 Wednesday, JUN 9, time and location TBA <b>Photo ID Required</b></p> <p style="text-align: center;"><b>Remember to bring your calculator and a valid photo ID</b></p>	

The course schedule is subject to change with appropriate prior notice.

We reserve the right to correct factual errors and other material misrepresentations in this syllabus at any time during the course, with appropriate prior notice.