

**THE UNIVERSITY OF SOUTHERN CALIFORNIA**  
**Marshall School of Business**

**BUAD 306**  
**Business Finance**  
**Fall 2008**

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**Introduction**

This course is designed to provide an introductory framework for understanding the choices made in financial markets by investors and corporations. Lectures will provide an overview of important concepts in finance, practical applications, and the skills required to solve quantitative problems in finance. By the end of the course you should be familiar with the vocabulary, theory, and computational skill set used by finance professionals.

The *required* book for the course is **Ross, Westerfield, and Jordan: *Fundamentals of Corporate Finance*, 8<sup>th</sup> (Alternate) edition**

**Blackboard**

The primary means of communication for BUAD 306 will be the Blackboard system (<https://blackboard.usc.edu>). All grades will be distributed through this system, and *you* are responsible for registering your email address with Blackboard so that you can receive your grades and other course announcements.

**Grading**

Your letter grade in this class will be based on 6 homework assignments, 2 midterm exams, a final exam, and a class attendance/participation grade. The percentage that each component contributes to your final grade is:

Homework assignments:	15%
2 midterm exams:	40%
Final exam:	40%
Class attendance/participation:	5%

The 15% homework credit will be based on your best 5 scores out of 6 homeworks, each worth 3% of your final grade. Homework assignments are listed at the end of this syllabus, and

consist of questions from the chapters in the textbook and short quizzes posted in Blackboard. Each quiz consists of approximately 15 multiple-choice questions. Your quiz answers *must* be hand-written on the quiz that you download from Blackboard and your answers to the end-of-chapter problems from the textbook *must* be handwritten. A complete homework consists of the completed quiz stapled to the front of the completed solutions to the end-of-chapter problems from the textbook. Your homework must be turned in at the *beginning* of class on the due date. No late homework will be accepted. ***Homework will be graded on a pass/fail basis – to pass the homework you must make a genuine attempt at all of the assigned end-of-chapter problems and get at least 50% of the quiz questions correct. You are required to show hand-written working for the end-of-chapter problems, but not for the quiz. You should make a copy of your homework before submitting it to me, as it will not be returned to you.***

All exams are completely closed book (*no exceptions*). You must take all exams on the day indicated on the class schedule. You will be provided with a formula sheet that contains any relevant equations (and potentially some irrelevant ones), and expected to know how to use the appropriate formulae. The exams will be generally consist of multiple-choice questions, although I reserve the right to include a few numerical long-answer questions in the exams (probably in the later exams). The exams will be graded using scantron sheets. ***You must bring your own scantron sheets to the exams.*** You will need 3 scantron sheets for this class (2 midterms and a final). The correct scantron sheet is F-288-PAR-L. No partial credit will be awarded on any multiple choice questions. It is your responsibility to properly erase answers you have previously selected if you change your mind about an answer during the exam. Scantrons that are mis-graded because of poor erasure will not be re-graded. The original Scantron sheets will not be returned to you, but a sheet of paper detailing your answers (and the correct answers) will be handed out in class following each midterm exam. Any re-grade requests must be forwarded *in writing* to me within one week of the distribution of the correct answers. ***You must be present for the midterm exams on October 1<sup>st</sup> and November 12<sup>th</sup> and for the final exam during the normal end-of-semester exam period (December 15<sup>th</sup>). There will be no make-up exams: if you are unable to take the exams during these times, then you should not take the course.***

You must own a financial calculator to complete this class, and must bring it to classes and exams. I will provide instruction on the common use of financial calculators as the class progresses. I will be using the HP 10BII for all in-class demonstrations of the use of a financial calculator, but other models (different HP models, and models by other brands) work in a similar way.

## **Academic Dishonesty**

The use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work is unacceptable to the University. It is often difficult to distinguish between a culpable act and inadvertent behavior resulting from the nervous tensions accompanying examinations. Where a clear violation has occurred, however, I may disqualify the student's work as unacceptable and assign a zero grade on the assessment. Students caught cheating will most likely fail the class. Sunglasses and hats may not be worn during exams (except for verifiable medical reasons), and you may not leave the classroom to use the bathroom during exams.

## **Help!**

I am available to answer your questions and concerns by e-mail, on the Blackboard discussion board, and during office hours. My office hours will be held in HOH 406 on Mondays and Wednesdays from 1pm – 4pm. I will add additional office hours in the weeks of midterm and final exams. **Note that I will be out of town (and unavailable) from September 30<sup>th</sup> through October 7<sup>nd</sup> and out of town (but available electronically) from December 12<sup>th</sup> through December 14<sup>th</sup>.**

The Blackboard system has a discussion board which you may find to be a useful forum for asking questions related to this class. In the past this has been the most useful tool for students to ask questions and get answers from me, especially because other students with the same question can also see the answer. I will (at least initially) allow anonymous postings to this board to foster the appropriate environment for students to feel comfortable asking questions. However, the anonymous posting feature of the board has been used in the past as a means of attacking teaching staff in a personal and insulting manner. This abuse will not be tolerated, and if I see evidence of that happening in this class I will turn the anonymous posting feature off, track the "anonymous" abuser(s) by their login ID, and initiate sanctions.

## **Disabilities**

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please ensure that the letter is delivered to me as early in the semester as possible, and *at least* two weeks prior to any schedule examinations. DSP is located in STU 301, and is open 8:30am – 5:00pm, Monday through Friday. DSP's phone number is (213) 740-0776.

**Course outline and assigned readings:**

<b>Class #</b>	<b>Date</b>	<b>Topic</b>	<b>Chapters</b>
1	8/25	M Introduction to corporate finance	1
2	8/27	W Financial statements, taxes, and cash flow	2
	<b>9/1</b>	<b>M LABOR DAY – NO CLASS</b>	
3	9/3	W Time value of money	5
4	9/8	M Discounted cash flow valuation	6
5	9/10	W Discounted cash flow valuation	6
6	9/15	M Interest rates and bond valuation (Homework #1 due)	7
7	9/17	W Interest rates and bond valuation	7
8	9/22	M Stock valuation	8
9	9/24	W Stock valuation	8
10	9/29	M Practice problems for Midterm Exam I (Homework #2 due)	1,2,5,6,7,8
<b>11</b>	<b>10/1</b>	<b>W MIDTERM EXAM I</b>	<b>1,2,5,6,7,8</b>
	<b>10/6</b>	<b>M CLASS CANCELED</b>	
12	10/8	W Long- term financial planning and growth	4
13	10/13	M Net present value and other investment criteria	9
14	10/15	W Making capital investment decisions	10
15	10/20	M Making capital investment decisions	10
16	10/22	W Capital market history	12
17	10/27	M Return, risk, and the security market line (Homework #3 due)	13
18	10/29	W Return, risk, and the security market line	13
19	11/3	M Options and corporate finance	14
20	11/5	W Cost of capital (Homework #4 due)	15
21	11/10	M Practice problems for Midterm Exam II	4,9,10,12,13,14,15
<b>22</b>	<b>11/12</b>	<b>W MIDTERM EXAM II</b>	<b>4,9,10,12,13,14,15</b>
23	11/17	M Raising capital	16
24	11/19	W Financial leverage and capital structure policy	17
25	11/24	M Dividends and dividend policy (Homework #5 due)	18
	<b>11/26</b>	<b>W THANKSGIVING – NO CLASS</b>	
26	12/1	M Mergers and acquisitions	25
27	12/3	W Mergers and acquisitions (Homework #6 due)	25
	<b>12/15</b>	<b>M 8am – 10am: Final Exam (Location: TBD)</b>	<b>All material</b>

**Homework assignments from RWJ 8<sup>th</sup> (Alternate) Edition:**

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	<b>Due date</b>	<b>Homework Assignment</b>
#1	9/15	Chapters 5 and 6 problems + Quiz
#2	9/29	Chapters 7 and 8 problems + Quiz
#3	10/27	Chapters 9 and 10 problems + Quiz
#4	11/5	Chapters 12 and 13 problems + Quiz
#5	11/24	Chapters 15 problems + Quiz
#6	12/3	Chapters 17 and 18 problems + Quiz

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**Homework                      Problems: (remember there is also a quiz posted in Blackboard)**

#1	<i>Chapter 5 Questions &amp; problems</i>	1,3,4,10,11,14,15,18,19
	<i>Chapter 6 Questions &amp; problems</i>	6,7,10,14,15,18,24,26,38,42,62
#2	<i>Chapter 7 Questions &amp; problems</i>	3,4,5,6,7,9,14,28,30,31
	<i>Chapter 8 Questions &amp; problems</i>	2,4,5,7,10,11,12,13,14,23
#3	<i>Chapter 9 Questions &amp; problems</i>	2,4,6,7,9,12,14,,17,25
	<i>Chapter 10 Questions &amp; problems</i>	1,5,7,8,9,10,13,17,18,20
#4	<i>Chapter 12 Questions &amp; problems</i>	1,2,4,7,9,10,13,14
	<i>Chapter 13 Questions &amp; problems</i>	1,3,7,9,11,13,17,23,25,26
#5	<i>Chapter 15 Questions &amp; problems</i>	2,5,6,9,10,15,16,17,20
#6	<i>Chapter 17 Questions &amp; problems</i>	1,6,8,12,13,17
	<i>Chapter 18 Questions &amp; problems</i>	4,10,11,12,13

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