

Finance 5437: Asset Valuation, Risk and Return
Online MSM, Section 1606
Spring (Module 3) 2023

Instructor:

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As the course teaching assistant, Dana will be responsible for grading the group project. She will also be available if you have questions about the course material.

Zoom Office Hours:

Monday and Wednesday, 5th period (11:45 a.m.-12:35 p.m.). Also, please feel free to email Dana and me any time if you have questions or concerns.

Course Objectives:

This course is designed for the general business student, not just the finance specialist. Since this is a survey course, we will cover many topics. We will begin with a general overview and then go into more detail on several concepts, financial instruments, and techniques used in financial decision-making.

1. To introduce you to the world of finance. Anyone involved with the management of a business needs to have at least some minimal knowledge of business finance.
2. To introduce you to basic financial concepts, such as the time value of money, asset valuation, and risk and return.
3. To introduce you to the basic quantitative tools for analyzing financial problems.
4. I hope that by the end of this course you will have a grasp of basic finance principles and that you will have gone beyond just memorizing facts and formulas. This will enable you to better understand current events in finance and will provide a solid framework for any subsequent courses you may take in finance.

Course Outline and Topics Covered:

I have broken down the online course into five modules. Here's a brief description of the modules along with the corresponding topics:

Module 1: Fundamental Concepts in Financial Management (Chapters 2-4)

- Financial Markets and Institutions
- Financial Statement Analysis

Module 2: Time Value of Money (Chapter 5)

- Time Value Basics
- Interest Rate Conversion
- Amortization

Module 3: Interest Rates and Bonds (Chapters 6-7)

- Interest Rate Determination
- Bond Valuation

Module 4: Risk, Return and Stock Valuation (Chapters 8-9)

- Risk and Return
- Stock Valuation

Module 5: Capital Budgeting and Project Valuation (Chapters 11-12)

- Capital Budgeting
- Estimating Cash Flows and Risk

Course Materials:

- There is no required textbook for the class. However, depending on your background and learning style, you may find the following textbook to be a useful source of background reading and additional practice problems:
 - E. Brigham and J. Houston, *Fundamentals of Financial Management: 16th Edition*. You are also welcome to use an older edition of the book – but again the text is not required.
- Pre-recorded lectures. I have provided on the course web page a series of lectures that closely follow the materials covered in the text. The accompanying Power Point presentation is also available.
- Spreadsheet Models. I have included a copy of the models on the course web page. These models are designed to make the materials clearer, and to provide you with some basic insights into the various ways that you can use spreadsheets to solve financial problems. You are strongly encouraged to review these spreadsheet models as you work your way through the material. Hopefully, you will find that these models enhance your understanding of the concepts covered

in the lectures, and that the models impart on you a sense of the methodology used to solve financial problems in the corporate setting. Finally, these models will in some cases help you answer some of the questions on your class assignments.

- Class notes. Throughout this course, I will periodically post class notes and other information on the class website. Dana and I will also regularly post announcements on the website as our main means of communicating with the class.
- Financial Calculator. All the problems can be solved with financial spreadsheets, but you still might find a financial calculator handy in those cases when you don't want to go through the trouble of loading up a spreadsheet. If you own a financial calculator, you may use it for the course as long as it does the basic time value of money functions and the cash flow (NPV, IRR, etc.) functions. You will find some calculator tutorials on the class web page for four of the more widely used models (HP-10BII+, HP-17BII, HP-12C, and TI – BA II PLUS).

On the exams, you will be able to use a financial calculator and/or a BLANK Excel sheet. If you decide to purchase a calculator, any basic model is fine as long as it does the basic time value of money functions and the cash flow (NPV, IRR, etc.) functions. Note, that on the exams you must use an approved financial calculator and/or a BLANK Excel sheet. You specifically are **not allowed** to use a computer/PDA device/smart phone or other device that stores and/or sends text.

Additional Resources:

Video review problems and their solutions can be found on the course website. In addition, you can view me working the solutions for each review problem. Each taped problem review can be found after the lecture on the relevant finance topic.

If you are looking for some extra practice with some of the quantitative topics, we have provided practice problems and solutions on the course e-Learning site.

Discussion Board:

We have established a discussion board to encourage classroom participation and discussion of the key topics. Here you can post questions about the course material and general clarifying questions about assignments, and questions relating to issues that arise in the real world. Specific questions concerning your own assignment should be posted via email or phone.

Course Requirements and Grading:

Group Problem Set

Students are expected to complete a group-oriented problem set. The problem set is due on **Monday, February 13**. The assignment will be posted the first week, so you will be able to steadily work on the assignment throughout the term. This problem set will focus on key ideas covered in class and will also incorporate spreadsheet applications and real-world information. We will establish these groups during the first week of class.

The problem set will count for 20% of your final course grade.

Online Class Examinations

During the term, we will have two online multiple-choice exams that will be offered via Honorlock. Each exam will consist of a series of problems and short-answer questions. All materials covered in class and in the assigned readings up until that point are fair game – I will give you more guidance as the term progresses.

Each exam will be closed book, but you are allowed to have a 1-page (front and back) standard (8 ½ x 11) “cheat sheet,” in which you are free to include any information that you feel is helpful. You are also allowed to use an approved calculator and/or a BLANK Excel sheet during the exam.

The first exam is worth 35% of your final course grade, while the second exam is worth 45% of your final course grade.

Each exam will last for two hours. You will have the opportunity to take the exam sometime within a one-day block, but once again you will have two hours to complete the exam once you start. The first exam will be offered on **Monday, January 30**, and the second exam will be offered on **Wednesday, February 22**.

Course Grading

Your final course grade will be determined as follows:

Group Problem Set	20%
First Examination	35%
Second Examination	45%

Grading Distribution for the Group Problem Sets:

The group assignments will be graded using the following scale:

93 -100%	A
90-92.99%	A-
85-89.99%	B+
80-84.99%	B
70-79.99%	B-
67-69.99%	C+
60-66.99%	C
50-59.99%	C-
45-49.99%	D+
43-44.99%	D
40-42.99%	D-
< 40%	E

Grading Distribution for the Examinations:

The scale for the exams is not pre-set. Instead, the exams will be curved to insure that the overall class GPA is roughly within the target GPA for the class (3.2-3.5).

Make-Up Policy:

Make-up exams will generally not be offered. If students are unable to take the first exam because of extraordinary circumstances, they can request to be excused. If they are excused, the second exam will be reweighted to account for 80% of their final course grade. All students are expected to take the second exam.

Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the instructor when requesting accommodation.

Please note that both plus and minus grades may be assigned. The following website summarizes the current UF grading policies for assigning grade points:

<https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>

Students are allowed to record video or audio of class lectures. However, the purposes for which these recordings may be used are strictly controlled. The only allowable purposes are (1) for personal educational use, (2) in connection with a complaint to the university, or (3) as evidence in, or in preparation for, a criminal or civil proceeding. All other purposes are prohibited. Specifically, students may not publish recorded lectures without the written consent of the instructor.

*A “class lecture” is an educational presentation intended to inform or teach enrolled students about a particular subject, including any instructor-led discussions that form part of the presentation, and delivered by any instructor hired or appointed by the University, or by a guest instructor, as part of a University of Florida course. A class lecture **does not** include lab sessions, student presentations, clinical presentations such as patient history, academic exercises involving solely student participation, assessments (quizzes, tests, exams), field trips, private conversations between students in the class or between a student and the faculty or lecturer during a class session.*

Publication without permission of the instructor is prohibited. To “publish” means to share, transmit, circulate, distribute, or provide access to a recording, regardless of format or medium, to another person (or persons), including but not limited to another student within the same class section. Additionally, a recording, or transcript of a recording, is considered published if it is posted on or uploaded to, in whole or in part, any media platform, including but not limited to social media, book, magazine, newspaper, leaflet, or third party note/tutoring services. A student who publishes a recording without written consent may be subject to a civil cause of action instituted by a person injured by the publication and/or discipline under UF Regulation 4.040 Student Honor Code and Student Conduct Code.

Tentative Course Outline:

Date	Course Topic	Text	Graded Element	Assigned Videos/Files
Week 1: 1/9- 1/15	Class Introduction and Corporate Objectives, Financial Environment, Financial Statements & Analysis	2, 3, 4		Videos 01.01 through 01.08; "A Closer Look at Free Cash Flow"; "Summary of Ratios"; Prac. Problem--EVA & FCF; Module 1 Prac. Problems
Week 2: 1/16 - 1/22	Time Value of Money	5		Videos 02.01 though 02.08; TVM - Review Problem; "A Quick Tour of TVM in Excel"; Prac. Problems--TVM; Module 2 Prac. Problems
Week 3: 1/23 - 1/29	Interest Rates and Bonds	6, 7		Videos 03.01 through 03.09; Bonds - Review Problem; Prac. Problem--PEH; Prac. Problem--Bond Basics; Module 3 Prac. Problems
Week 4: 1/30-2/5	EXAM #1 Risk and Return	8	EXAM #1: 1/30	Videos 04.01 through 04.04; Prac. Problem--Risk & Return
Week 5: 2/6-2/12	Stocks	9		Videos 04.05 through 04.08; Nonconstant g - Review Problem; FCF - Review Problem; Prac. Problem--Dividend Model; Prac. Problem--FCF; Module 4 Practice Problems
Week 6: 2/13-2/19	Basics of Capital Budgeting, Estimating Cash Flows and Risk	11, 12	Group Problem Set covering Chapters 2-9 due 2/13	Videos 05.01 through 05.06 & 05.08; Capital Budgeting - Review Problem; Video 05.07; Prac. Problem--Payback, NPV, & IRR; Prac. Problem--Estimating CFs; Module 5 Practice Problems
Week 7: 2/20-2/22	EXAM #2	Review	EXAM #2: 2/22	