FIN 3010: Principles of Corporate Finance

Instructor: Dr. Lee Sarver
Website: www.mtsu.edu/~fsarver
Class Time/Location: Section 002 (14842): T 6:00–9:00, BAS S334
Office Location: Business and Aerospace Building (BAS) N313
Office Hours: TR 1:00–2:30, T 4:20–5:50, R 4:20–4:50 and by appointment

Course Description and Learning Outcomes

“3 credit hours. Prerequisite: Junior standing. Theory of corporate finance, emphasizing wealth creation, valuation, risk, capital budgeting, and cost of capital.” (2019–2020 Undergraduate Catalog)

This course introduces the concepts and methods involved in the valuation of cash flows, paid or received at some future time(s). You will learn how to value these cash flows to reflect differences in their size, timing, and risk. The same basic approach can be applied either to claims on these streams or to the assets which generate them. Therefore, the course will focus on applications of time- and risk-adjustment in the areas of corporate financing (security valuation) and corporate investment (capital budgeting, cost of capital). Some of these topics will also be useful in your personal lives.

Textbooks and Supplementary Materials

Text: Ross, Westerfield and Jordan, Corporate Finance, 10/e, ISBN: 978-1-307-44214-4 (Required) Includes license for Connect online homework (Required)
Online: Connect homework (Required)
A license is bundled with the text. Registration details are on the course website.
Section-specific Connect web address:
Section 002: https://connect.mheducation.com/class/sarver-3010-002-14842
Other: Supplements, as assigned. (Online, free)
MTSU e-mail account; Internet access and .pdf reader. (Required, free)
Calculator: A financial calculator, such as the HP 10B(II)(+) or TI Business Analyst II Plus (Professional). (Required)

Grading

• Grades are based on the weighted average of scores on four non-cumulative exams, online homework (20% each) and an optional comprehensive final exam, plus any bonus points (both discussed below). A 20-point “curve” is employed for all exams (± scale online). There is no “extra credit”; an Incomplete (I) will not be used in lieu of a poor grade (Catalog). Grades are accessible through Pipeline or D2L, never by phone or e-mail.

• Exams will be given via D2L. Each runs 120 minutes (180 minutes for the optional Final) within a 28.5-hour window (23.5 for the Final), and each may include true/false, multiple choice, arithmetic and other question types. (They are similar to the online homework.) After reviewing each exam, I will report the high, low and average scores, and discuss any widely missed questions. You can access this as submission view Post-Review.
• Exams must be taken as scheduled. There are no make-ups and closed exams will not be reopened. For one absence (for any reason), the score of the missed in-class exam may be replaced by that on the Final (otherwise, by zero). To take advantage of this, you must notify the instructor by e-mail (in advance, when feasible). If you miss two exams, you must drop the course (or receive an F).

• Exam resources: You may use any resources at your disposal, including the text, notes and the internet—except each other. Do not consult any other person concerning an exam. The instructor will not answer questions regarding exam content while it is open. Please ask them in advance.

• The drop deadlines are February 3 (no grade) and March 29 (W).

Optional Comprehensive Final Exam
• The optional, comprehensive Final Exam will be given via D2L on Friday, May 1, 12:00 am – 11:30 pm.

• If you take the final exam as a make-up for one missed exam, it will count 20%, like the other exams. If you take the final in addition to the four required exams, it will count 25% and your other scores will count 15% each. All other terms described above still apply.

• Details pertaining to the composition of the Final Exam will be circulated at a later date.

Online Homework
Access codes should be packaged with new textbooks. Licenses may also be purchased online at your section’s Connect web address (above). If you purchase a license online, you will have the option of purchasing Connect or Connect Plus—which includes an interactive eBook version of the textbook—as well as a looseleaf text. You can register and have access without a code for a limited time period. To register, visit your section’s Connect web address and click Register Now.

All online homework assignments are available from the start of the term. Each is due when the relevant exam closes, although you should try to do them before starting the exam. Because glitches are always possible, do not to wait until the last moment to complete assignments. It is not possible to re-open closed assignments, which go into “Study Mode.” If you have problems while registering or using Connect, contact McGraw-Hill’s Customer Experience team at www.mhhe.com/support or (800) 331-5094. Please review the “Connect Student Quick Tips” (posted online) for further support.

Problems with Online Assignments
• Access D2L through http://elearn.mtsu.edu, rather than PipelineMT, which times out.
• Save each answer before moving to the next question in case a “glitch” occurs. In that case, reboot/reconnect and resume where you left off, using the remaining time.
• Unless you are using one of the University computers, you are responsible for any hard- or software problems at your end, just as you would be for personal transportation to/from class or work. In other words, you will not receive an extension or re-take of an assignment if your computer or connection becomes unreliable. To minimize such risk, use the Lab (open 24/7).

Bonus Points
Bonus points can be earned by watching the movies listed below and submitting a one-page synopsis of the story. All synopses must be typed single-spaced in 12-point Times New Roman with one-inch margins all around, and submitted as individual files via the D2L Dropbox. Hard/emailed copies will not be accepted; nor will submissions which do not follow the format guidelines. Submissions will be subjected to MTSU’s plagiarism detection software. Each synopsis accepted—up to four—earn up to 2.5 points—up to a maximum of 10 points—added to the average.

<table>
<thead>
<tr>
<th>Title</th>
<th>Year</th>
<th>Genre</th>
<th>Cast</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Places</td>
<td>1983</td>
<td>Comedy</td>
<td>Eddie Murphy, Dan Aykroyd, Jamie Lee Curtis</td>
<td>R</td>
</tr>
<tr>
<td>Other People’s Money</td>
<td>1991</td>
<td>Comedy</td>
<td>Danny DeVito, Gregory Peck</td>
<td>R</td>
</tr>
<tr>
<td>Barbarians at the Gate</td>
<td>1993</td>
<td>Comedy</td>
<td>James Garner, Jonathan Pryce</td>
<td>R</td>
</tr>
<tr>
<td>Enron: The Smartest Guys in the Room (HBO)</td>
<td>2005</td>
<td>Documentary</td>
<td>John Beard, Tim Belden</td>
<td>NR</td>
</tr>
<tr>
<td>The Big Short</td>
<td>2015</td>
<td>Comedy</td>
<td>Christian Bale, Steve Carell, Ryan Gosling</td>
<td>R</td>
</tr>
</tbody>
</table>

The instructor reserves the right to amend this document; sufficient notice will be given.
Warning: The above movies may contain mature themes. Any student with a substantive objection to the above movies may read one of the two financial novels below for extra credit. After reading the novel, the student must submit a five-page summary (format- and plagiarism-checked) and satisfactorily complete a brief reading exam. 

*Barbarians at the Gate: the Fall of RJR Nabisco* by Bryan Burrough and John Helyar or *A Conspiracy of Paper* by David Liss

**Student Resources**
- Finance Tutoring Lab: Additional help may be available. See the course website for times and contact information.
- D2L support: [http://www.mtsu.edu/d2lsupport/students/index.php](http://www.mtsu.edu/d2lsupport/students/index.php)
- ITD Help Desk: 615-898-5345 or help@mtsu.edu

**Student Responsibilities**
- **Attendance**: Per University policy, students are expected to attend all regularly scheduled classes, to be prepared and to participate respectfully in discussions. If you miss class, get the material covered from a classmate. You may be counted absent if you arrive very late or leave very early. Disruptive or chronically absent students may be dropped.
- **The responsibility for learning is ultimately yours.** Keep up with the material (or it will “snowball.”) Do assignments *before* class and come *prepared* to discuss them. *You cannot learn this material in class alone.* Allow sufficient study time outside of class. If a point is unclear, ask. Use the office hours.
- You are responsible for any information posted on the course website or sent directly to you at your university e-mail account. Check them regularly.
- Supplementary course materials—e.g., lecture notes—are available only on the course website (not the S: drive or D2L). A password is required.
- Use of phones and similar devices during class is prohibited; turn them off and put them away.
- The material presented in this course is the intellectual property of the instructor and/or others. Recording or reproducing it—without express written permission—is prohibited.

**Hope (Lottery) Scholarship**
To remain eligible for the Tennessee Education Lottery Scholarship, you must achieve and maintain a certain GPA. Earning a grade below B or an I in this class—or dropping, withdrawing or ceasing attendance—may cost your eligibility, which you may not be able to regain. Refer to the Lottery Statement of Understanding ([www.mtsu.edu/financial-aid/forms/LOTFOD.pdf](http://www.mtsu.edu/financial-aid/forms/LOTFOD.pdf)) or contact your MT One Stop Enrollment Coordinator ([www.mtsu.edu/one-stop/counselor.php](http://www.mtsu.edu/one-stop/counselor.php)).

**Accommodations for Students with Disabilities**
Any student requiring reasonable accommodation must consult the Disability & Access Center (DAC) at: [www.mtsu.edu/dac](http://www.mtsu.edu/dac), 615-898-2783 or dacemail@mtsu.edu, which evaluates all ADA requests (temporary or permanent). Students are responsible for providing the instructor any Accommodation Letter issued by the DAC. The Adaptive Technology Center (ATC), [www.mtsu.edu/dac/atc.php](http://www.mtsu.edu/dac/atc.php) or (615) 904-8550, can provide alternative formats of print material and adaptive hardware/software.

**Academic and Classroom Misconduct**
“Plagiarism, cheating, and other forms of academic dishonesty are prohibited. Students guilty of academic misconduct, either directly or indirectly, through participation or assistance, are immediately responsible to the instructor of the class. . . . [who] has the authority to assign an appropriate grade for the exercise or examination, or to assign an F or FA in the course, as is proportional to the nature and extent of academic misconduct.” Further, “[t]he instructor has the primary responsibility for maintenance of academic integrity and controlling classroom behavior and can order the temporary removal or exclusion from the classroom of any student engaged in disruptive conduct. . . .” ([Catalog](http://www.mtsu.edu/dac/atc.php))

Note that the University defines misconduct broadly, to include “text messaging, and the continued use of any electronic or other noise or light emitting device which disturbs others (e.g., disturbing noises from beepers, cell phones, palm pilots, laptop computers, games, etc.).”

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**Professionalism**
The Jones College of Business is a professional school. In the Jones College of Business, students will demonstrate Professionalism, which includes these behaviors:
- a solid work ethic demonstrated by preparation, punctuality, participation, and productivity;
- respectful and courteous interaction with others;
- ethical conduct; and
- professional deportment evidenced by business-appropriate dress, diction, and demeanor.

As a Jones College student, part of your preparation for your future career includes the ability to adapt to the expectations of your supervisors and to manage your own expectations relative to your position within the organization. The faculty in the Jones College expect that you will take this aspect of your preparation seriously. The instructor’s specific expectations of students related to Professionalism are enumerated throughout this syllabus.

**Mission of the Jones College of Business**
The mission of the Jones College of Business is to:
- Foster student success in a large business school with a small school feeling created by caring, professional faculty and staff interacting with students as individuals, in small classes, through proactive student organizations, and in a broad range of other settings, with students’ needs constantly of prime consideration;
- Provide career opportunities to our students by capitalizing on our extensive alumni network—82 percent of Jones College graduates live and work in Middle Tennessee; and
- Cultivate an international perspective among students that enables them to contribute to and succeed in the global marketplace.

We will produce graduates from our bachelor, master, doctoral, and executive and continuing education programs who are prepared for challenges and advancements in their chosen careers.
**Class Schedule Revised**

*You cannot learn this material in class alone. Practice is vital.* After reading each chapter, try the end-of-chapter Concept Reviews (“Concepts”) and Questions & Problems (“Q&P”) suggested below. Selected answers are in Appendix C. If you have difficulty, ask.

**Note:** Below, some readings are denoted as `chapter.section` and `HW` denotes a summary homework problem set (available on the course website—not on Connect), which should be attempted before class). Chapter 12 of an earlier text (8/e) is also available there.

<table>
<thead>
<tr>
<th>Class</th>
<th>Topic</th>
<th>Chapter</th>
<th>Concepts</th>
<th>Q&amp;P</th>
<th>HW</th>
</tr>
</thead>
<tbody>
<tr>
<td>T 01/21</td>
<td>Overview of Course</td>
<td>1</td>
<td>1, 3, 5, 6, 12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T 01/28</td>
<td>Financial Statements, Cash Flow and Taxes</td>
<td>2</td>
<td>2, 4–7, 9</td>
<td>1–12</td>
<td></td>
</tr>
<tr>
<td>T 02/04</td>
<td>Analysis of Financial Statements</td>
<td>3</td>
<td>1, 4, 7</td>
<td>1–8, 10, 18, 19, 23, 25</td>
<td></td>
</tr>
<tr>
<td>T 02/11</td>
<td>Time Value of Money</td>
<td>4</td>
<td>2, 3, 5–9</td>
<td>1–15, 17, 19, 20</td>
<td>H1</td>
</tr>
<tr>
<td>T 02/18</td>
<td></td>
<td>5</td>
<td>1–4, 7, 8</td>
<td>1–6, 10–13, 16–21, 24, 27</td>
<td></td>
</tr>
<tr>
<td>T 02/25</td>
<td>Discuss Exam 1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>T 03/03</td>
<td>Financial Markets</td>
<td>1.6</td>
<td></td>
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<tr>
<td>T 03/03</td>
<td>Valuation: General</td>
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<tr>
<td>T 02/25</td>
<td>Bond Valuation</td>
<td>6.1–6.5</td>
<td>1, 2, 5, 6, 8, 9, 12, 15</td>
<td>1–7, 15, 18, 22, 34</td>
<td></td>
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<tr>
<td>T 03/03</td>
<td>Interest Rates</td>
<td>6.6–6.7</td>
<td></td>
<td>9–12</td>
<td>H1</td>
</tr>
<tr>
<td>T 03/10</td>
<td>No class: Spring Break</td>
<td></td>
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<tr>
<td>T 03/17</td>
<td>No class: Spring Break Extended (Covid-19)</td>
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<tr>
<td>T 03/24</td>
<td>Stock Valuation</td>
<td>7</td>
<td>1–7, 9–12</td>
<td>1–5, 7, 8, 10–12</td>
<td></td>
</tr>
<tr>
<td>T 03/31</td>
<td>Capital Budgeting: Basics</td>
<td>8</td>
<td>3, 5, 6, 11, 12</td>
<td>1, 5–10, 12, 16, 18, 20, 22</td>
<td></td>
</tr>
<tr>
<td>Exam 2 (03/05 7:00 pm – 03/06 11:30 pm)</td>
<td></td>
<td>1.6, 6</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>T 04/07</td>
<td>Risk and Return</td>
<td>11</td>
<td>1–3, 5, 7, 10</td>
<td>1–3, 6, 7, 11, 13, 19, 24</td>
<td>H1</td>
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<tr>
<td>T 04/14</td>
<td>contd</td>
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<tr>
<td>T 04/21</td>
<td>Marketer Efficiency</td>
<td>10.6</td>
<td></td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>T 04/28</td>
<td>Cost of Capital</td>
<td>12</td>
<td>1, 2, 4–7, 9, 10</td>
<td>1–3, 5, 7, 9, 10, 12, 16, 17</td>
<td>H1</td>
</tr>
<tr>
<td>Exam 4 (04/28 7:00 pm – 04/29 11:30 pm)</td>
<td></td>
<td>10.6–12</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>F 05/01</td>
<td>Optional Comprehensive Final Exam</td>
<td>1–8</td>
<td></td>
<td>See online for coverage.</td>
<td></td>
</tr>
</tbody>
</table>

*Optional movie synopses due by 9:00 am.*

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