

COURSE NAME: Business Finance I

COURSE NUMBER: 11:373:351

SEMESTER: Fall 2024

**MEETING DAYS, TIMES, AND PLACE: MW 2.00 PM – 3.20 PM, Food Sciences - 109
(FS-109)**

PREREQUISITE: ((11:373:215 or 01:960:401 or 01:960:401) and (11:373:121)) OR

((01:960:285 or 01:960:401 or 01:960:401) and (11:373:121)) OR

((01:960:211 or 01:960:401 or 01:960:401) and (11:373:121)) OR

((01:960:211 or 01:960:401 or 01:960:401) and (01:220:102)) OR

((01:960:285 or 01:960:401 or 01:960:401) and (01:220:102)) OR

((11:373:215 or 01:960:401 or 01:960:401) and (01:220:102))

CONTACT INFORMATION:

Instructor(s): **Sonal Pandey, Ph.D.**

Office Location: Cook Office Building, Room 117

Email: sp2535@sebs.rutgers.edu

Office Hours: Every Friday 11.45 am to 12.45 pm

COURSE WEBSITE, RESOURCES AND MATERIALS:

- **Fundamentals of Corporate Finance 11th Edition** by Brealey, Myers and Marcus
ISBN: 9781260013962
- Business Calculator (not required)
Recommended - Texas Instruments BAII Plus Financial Calculator
- Canvas

COURSE DESCRIPTION:

This course provides a basic understanding of concepts and practices of financial management including the analysis of a firm's financial position, working capital management and budgeting, costs of funds and capital structure, and financial instruments.

LEARNING GOALS:

By the end of the students will be able to:

1. Understand and appreciate the basic financial decisions facing corporations and how these financial decisions are managed.
2. Analyze basic information contained in financial statements and understand how it is used to make financial decisions.
3. Perform, with the help of business calculator, various FV/PV calculations, including NPV and IRR, and apply the results to solve business problems that inform financial decisions.
4. Measure and evaluate the role of risk involved in business problem solving and decision-making.
5. Calculate the Weighted Average Cost of Capital for a company and understand the concept of "cost of capital."

ASSIGNMENTS/RESPONSIBILITIES, GRADING & ASSESSMENT:

There will be 3 exams during the course and during class hours.

Exam 1 (20%) after first Unit completion

Exam 2 (20%) after second unit completion

Exam 3 (20%) after third unit completion

There will be quizzes in each class associated with the previous chapter.

Quiz (20%)

Group Project (20%)

- Attendance is Mandatory

Grades represent the quality of the student's performance, measured against standards of knowledge, skill, and understanding, as evaluated by the instructor. Grades are reported to the university registrar at the end of each term by the following symbols:

| Grade Components | Possible points | Percentage weight |
|-----------------------|-----------------|-------------------|
| Exam 1 | 100 | 20 |
| Exam 2 | 100 | 20 |
| Exam 3 | 100 | 20 |
| Quizzes | 100 | 20 |
| Group Project | 100 | 20 |
| Total | 600 | 100 |
| Grading Scale: | | |
| A = 90 % and above | B+ = 85%-89% | B = 80%-84% |
| C+ = 75%-79% | C = 70%-74% | D= 61%-69% |
| F = 60% and below | | |

The project will require that students (assigned in groups of 5-6) select, research and conduct financial analyses on firms of a similar nature; e.g., Amazon vs. Alibaba; Verizon vs. AT&T; Exxon Mobil vs. Chevron, Google vs. Apple, using three common business software programs such as PowerPoint, Excel, and Word or their equivalents. Students must apply appropriate financial concepts in their analysis and communicate their findings clearly both orally and in writing. Students will have 15 minutes to present their research to the class and submit a 5-page written report plus the attachment of 1 original spreadsheet of the companies being researched. Each presentation will be followed by a 5-minute class discussion.

ACCOMODATIONS FOR STUDENTS WITH DISABILITIES

Please follow the procedures outlined at <https://ods.rutgers.edu/students/registration-form>. Full policies and procedures are at <https://ods.rutgers.edu/>

ABSENCE POLICY

Students are expected to attend all classes; if you expect to miss one or two classes, please use the University absence reporting website <https://sims.rutgers.edu/ssra/> to indicate the date and reason for your absence. An email is automatically sent to me.

COURSE SCHEDULE:

The first 13 chapters of the book will be covered in detail. It is anticipated that one chapter will be covered per week. Students are required to read the assigned chapter before lectures. Short quizzes will be given at the beginning of each class lecture and cover the previous week's material.

| Lecture dates | Unit-1 | Content |
|---------------|--|--|
| Week-1 | CHAPTER 1: Goals and Governance of the Corporation | 1. Investment and Financing Decisions. 2 What is a corporation? 3 Who Is the Financial Manager? 4 Goals of the Corporation. 5 Agency Problems, Executive Compensation, and Corporate Governance. |
| Week-2 | CHAPTER 2: Financial Markets and Institutions | 1 The Importance of Financial Markets and Institutions. 2 The Flow of Savings to Corporations. 3 Functions of Financial Markets and Intermediaries. |
| Week-3 | CHAPTER 3: Accounting and Finance | 1 The Balance Sheet. 2 The Income Statement. 3 The Statement of Cash Flows. 4 Accounting Practice and Malpractice. 5 Taxes. |
| Week-4 | CHAPTER 4: Measuring Corporate Performance | 1 How Financial Ratios Relate to Shareholder Value. 2 Measuring Market Value and M V A. 3 EVA and Accounting Rates of Return. 4 Measuring Efficiency. 5 The Du Pont System. 6 Measuring Financial Leverage. 7 Measuring Liquidity. 8 Interpreting Financial Ratios. 9 The Role of Financial Ratios |
| Week-5 | Exam 1 for Unit 1 | |
| | Unit-2 | |

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| | CHAPTER 5: The Time Value of Money | <p>1 Future Values and Compound Interest.</p> <p>2 Present Values.</p> <p>3 Multiple Cash Flows.</p> <p>4 Reducing the Chore of the Calculations: Part 1.</p> <p>5 Level Cash Flows: Perpetuities and Annuities.</p> <p>6 Reducing the Chore of the Calculations: Part 2.</p> <p>7 Effective Annual Interest Rates.</p> <p>8 Inflation & The Time Value of Money.</p> |
| Week-6 | CHAPTER 6: Valuing Bonds | <p>1 Bond Pricing.</p> <p>2 Interest Rates and Bond Prices.</p> <p>3 Yield to Maturity.</p> <p>4 Bond Rates of Returns.</p> <p>5 The Yield Curve.</p> |
| Week-7 | CHAPTER 7: Valuing Stocks | <p>1 Stocks and the Stock Market.</p> <p>2 Market Values, Book Values, and Liquidation Values.</p> <p>3 Valuing Common Stocks.</p> <p>4 Simplifying the Dividend Discount Model.</p> <p>5 Valuing a Business by Discounted Cash Flow.</p> <p>6 There Are No Free Lunches on Wall Street.</p> <p>7 Market Anomalies and Behavioral Finance.</p> |
| Week-8 | CHAPTER 8: Net Present Value and Other Investment Criteria | <p>1 Net Present Value.</p> <p>2 The Internal Rate of Return Rule.</p> <p>3 The Profitability Index.</p> <p>4 The Payback Rule.</p> <p>5 More Mutually Exclusive Projects.</p> <p>6 A Last Look.</p> |
| Week-9 | Exam-2 for the Unit 2 | |
| | UNIT 3 | |
| | CHAPTER 9: Using Discounted Cash-Flow Analysis to Make Investment Decisions | <p>1 Identifying Cash Flows.</p> <p>2 Corporate Income Taxes.</p> |
| Week-10 | CHAPTER 10: Project Analysis | <p>1 The Capital Investment Process, Some Problems, and Some Solutions.</p> <p>2 Some “What If” Questions.</p> <p>3 Break Even Analysis.</p> <p>4 Real Options and the Value of Flexibility.</p> |

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|--------------------------------|---|---|
| Week-11 | CHAPTER 11: Introduction to Risk, Return, and the Opportunity Cost of Capital | 1 Rates of Return: A Review. 2 A Century of Capital Market History. 3 Measuring Risk. 4 Risk and Diversification. |
| Week 12 | CHAPTER 12: Risk, Return, and Capital Budgeting | 1 Measuring Market Risk. 2 What Can You Learn from Beta? 3 Risk and Return. 4 The C A P M and the Opportunity Cost of Capital. |
| Thanksgiving Recess | Thu, November 28 to Sun, December 1, 2024 | |
| Week13 | CHAPTER 13: The Weighted-Average Cost of Capital and Company Valuation | 1 Geo thermal's Cost of Capital. 2 The Weighted-Average Cost of Capital (W A C C). 3 Interpreting the W A C C. 4 Measuring Capital Structure. 5 Estimating Expected Returns. 6 Valuing Entire Businesses. |
| December- 9 | Exam-3 | During class hours. |

ACADEMIC INTEGRITY

The university's policy on Academic Integrity is available at <http://academicintegrity.rutgers.edu/academic-integrity-policy>. The principles of academic integrity require that a student:

- properly acknowledge and cite all use of the ideas, results, or words of others.
- properly acknowledge all contributors to a given piece of work.
- make sure that all work submitted as his or her own in a course or other academic activity is produced without the aid of impermissible materials or impermissible collaboration.
- obtain all data or results by ethical means and report them accurately without suppressing any results inconsistent with his or her interpretation or conclusions.
- treat all other students in an ethical manner, respecting their integrity and right to pursue their educational goals without interference. This requires that a student neither facilitate academic dishonesty by others nor obstruct their academic progress.
- uphold the canons of the ethical or professional code of the profession for which he or she is preparing.

Adherence to these principles is necessary in order to ensure that

- everyone is given proper credit for his or her ideas, words, results, and other scholarly accomplishments.
- all student work is fairly evaluated and no student has an inappropriate advantage over others.
- the academic and ethical development of all students is fostered.
- the reputation of the University for integrity in its teaching, research, and scholarship is maintained and enhanced.

Failure to uphold these principles of academic integrity threatens both the reputation of the University and the value of the degrees awarded to its students. Every member of the University community therefore bears a responsibility for ensuring that the highest standards of academic integrity are upheld.

