

Winter 2021

FINA 333
FINANCE AND MARKETS
(This is a 100% Online Class)

Date: 10/28/2020

Professor: Eric Powers

Office: The playroom at my house!

Emails: fin333prof@moore.sc.edu.

Office Hours: Mon, Wed, Fri 3-4:30 pm. Tuesday and Thursday 8:00-9:30 pm via Blackboard Collaborate

Class Web Site: <http://blackboard.sc.edu>

Mode of Delivery

This will be my first time teaching this class during winter session – I guarantee that you will find the pace pretty quick! As noted in the title, **this is a 100% online class**. Thus, you can go at your own pace as long as your own pace is at least as fast as what I lay out in the last part of this syllabus. All of the material will be posted on the Blackboard website by December 10th. Thus, if you want to (and I strongly encourage it), you can get a head start. Moreover, you can work as far ahead as you want to.

Minimal technical skills are needed in this online course. All work in this course must be completed and submitted online. Therefore, students **MUST** have consistent and reliable access to a computer or tablet and the Internet. Exams use Respondus Monitor video monitoring so you also must have a functioning web cam. The minimal technical skills students should have include the ability to:

- organize and save electronic files,
- use email and attached files,
- check email and Blackboard daily, and
- download and upload documents.

If you have problems with your computer, please contact University Technology Support (UTS) Help Desk at 803.777.1800 or helpdesk@sc.edu. The UTS Help Desk is open Monday – Friday from 8:00 AM – 6:00 PM EST.

Office Hours

Office hours will be held live via Blackboard Collaborate Ultra – this works like Zoom. In Blackboard, go to Tools and select Blackboard Collaborate Ultra. There is a pre-set meeting room named Finance and Markets Course Room. Click on that and go through the process of joining the meeting, sharing video, etc. I will hold office hours every weekday while this course is in session: Mon, Wed, Fri 3-4:30 pm. Tuesday and Thursday 8:00-9:30 pm. If there is no one around after twenty minutes or so, I will sign off...unless you have told me previously that you will be there later.

Turnaround Times

I will endeavor to answer any emails within 12 hours. Note that I don't route emails to my cell phone so if I am not available continuously – don't expect me to answer an emergency email immediately. Grading of exams will usually require 24 hours to process and grading of the retirement project will take approximately two days.

Difficulty

For many of you this will be a difficult class. Indeed, many students say that this is the most difficult online class that they have taken, so be forewarned. This is exactly the same material that I would teach in a live class. Indeed, I probably cover a little bit more than what I would cover in a live class as I never run out of virtual time. It is imperative that you be self-disciplined and keep pace. If not, your grade can really suffer and this will have been a big waste of money for you.

Objective

When you buy a car, what determines your monthly payment? When your firm explains its 401K retirement program, what are your investment options and how do you decide between them? When you worry about saving for retirement, how much will you likely need to save? Gone are the days when a college graduate went to work for a major manufacturer, stayed for their entire career, and knew that the company would see after all of their retirement and health care needs. Instead, in today's world, individuals are increasingly responsible for their own financial well-being. Thus, well-educated individuals have to understand how financial markets work.

Finance and Markets provides an in-depth introduction to the world of finance. You will learn how individuals interact with financial markets. Because most of you will end up working for private companies, you will also learn how companies interact with financial markets. Primary topics include:

- How do stock and bond markets work from the perspectives of both providers of capital (investors) and users of capital (firms, governments, etc.)?
- Time Value of Money: how do we calculate the value today of cash flows in the future?
- How do we determine prices for standard financial claims (stocks, bonds) issued by firms and bought by investors?
- Why is diversification of investments so important and how does diversification generate an equilibrium relationship between risk and expected return for investments like equity?
- How do firms decide which projects to pursue?
- Introduction to "exotic" financial products such as options, swaps and futures.
- Basic tools for optimizing your personal financial health.

We will emphasize the underlying principles and theories that pertain to each of these areas while at the same time presenting the context in which they operate. What we observe in the "real" world of finance results from the interaction of underlying principles with the current financial environment. The financial environment is bound to change, however, basic principles will remain the same. Understanding these basic principles will prepare you to operate in the financial environment of tomorrow, whatever tomorrow brings! Our objective, therefore, will be to understand *why* things happen in finance as opposed to memorizing historical facts. (Registrar Bulletin Description: *In-depth introduction to the world of finance. Interaction of individuals and companies with financial markets*)

Prerequisites: ACCT 222, or an equivalent class in financial accounting. I won't kick you out if you have not completed this pre-req's but you are better off if you have.

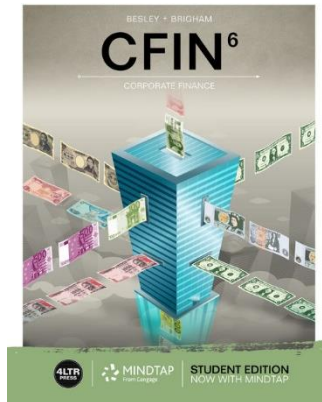
Recorded Lectures:

This is an online class. Instead of attending traditional classroom lectures, you will view lecture modules posted on Blackboard. Each chapter will have several recorded lecture modules that vary in length from about 10 minutes to about 20 minutes. Perhaps it is an antiquated notion, but I think that listening to these lectures is pretty darn important! After all, I am the one who writes the exam questions so you probably want to have some idea of what I think is the most important material.

Note that there are bonus questions associated with each recorded lecture block. These are located in the Recorded Lectures folder in each Daily Lessons folder. These bonus questions are programmed as standalone quizzes in Blackboard and are due by 11 pm each day. They count for as much as a 5% boost to your grade so they are important. You get three tries on T/F and multiple choice question and unlimited tries on the numeric entry problems. These are pretty close to free points!

Text

The textbook for the class is CFIN 6 by Besley and Brigham



The easiest way to get the text is to click on any Cengage link in one of our Lessons folders. This will spawn a sign-in page. One of the options available via that page is to purchase electronic access to the book right then and there. Alternatively, you can purchase via the bookstore where you can get a hardcopy text with bundled access card. Finally, you can purchase directly from Cengage, or via a retailer like Amazon. The ISBN for a hardcopy text with a bundled access card to the MindTap homework system and all of the other electronic bells and whistles is 9781337407342. If you only want electronic access to the textbook and MindTap homework system, the ISBN is 9781337915830.

A used textbook is only good if the code that comes along with it has never been used. This is the other reason that the text is cheap as the one-time aspect of the code nullifies the used textbook market.

Note that you can also get a Cengage subscription that gives you access to multiple texts for \$119.99 per term, \$179.99 per year, or \$239.99 for 2 years. No matter how many Cengage products you use, they are included in Cengage Unlimited and the price stays the same. You can purchase access to Cengage Unlimited in the bookstore, or at www.cengage.com. If this is the only class of yours that uses a Cengage text, then don't get Cengage Unlimited.

For additional support, please visit:

Getting started materials: www.cengage.com/start-strong

Training site for Cengage platforms: www.cengage.com/training

FAQs: <https://www.cengage.com/faq>

Cengage Customer Support: cengage.com/support or 1-800-354-9706

Calculator

A financial calculator or a financial calculator phone app is **strongly** recommended. It should have the ability to do Time Value of Money (TVM) problems. The textbook demonstrates the use of the Texas Instruments BAII plus (about \$29). Another alternative is the Hewlett Packard 17BII (about \$89). Finally, the TI-83 graphing calculator has a finance module that will meet all of your needs.

Homework

Homework is done via the Publisher's online MindTap system. Each chapter has homework questions that are due on Sunday evenings. In week 4 for example, we will cover the Time Value of Money. This is chapter 4 in the text. The associated problem set is due by 11 pm on Sunday.

You have three chances at each question and the system keeps the best result from your three tries. Note that you can only submit the assignment to the grade book once so make sure that you have answered each question to the best of your ability before you submit the assignment. Because you get the best of three, you can use attempts two and three on a question to get extra practice at no cost even if your first attempt was solid.

Many of the problems are pretty difficult. This is why homework is such a large percentage of your grade. Do not make the mistake of opening the homework an hour before it is due and think that you are going to do well. That is highly unlikely. Probably the best aspect of the home work system is that it gives you a detailed answer after you have hit the grade-it-now for a question. Thus, there is a definite “learning by doing” aspect to the homework system.

At the end of the semester I will sum your total homework points and divide by the total potential points. Note that some home works are longer and some are shorter. The longer ones count more heavily. Cumulatively, home works count for 35% of your grade so they are very important.

Each individual must submit their own entry, however, I encourage you to collaborate and work in groups. No late home work is accepted, **EVER!**

Project

On January 12th, a retirement planning project is due. Details for this project are posted in Blackboard in the Assignments section. The project counts for 10% of your grade.

Exams

There will be two midterm exams and a comprehensive final. These exams will be online. They are in the Tests Folder on Blackboard. For each exam, I will add a set number of points to every score so that the median grade is an 82% (curved scores above 100% will be capped at 100%).

Exams are online. Because of this, I have struggled in the past with students posting material from the exam on sites like Chegg and CourseHero, sometimes within minutes of me opening an exam window. Because of this, all exams are going to be done with two security systems that are in Blackboard. The first system is called Respondus LockDown Browser. You have to download Lockdown Browser onto your computer and the exam can only be accessed with Lockdown Browser. Once you open the exam, LockDown prevents your computer from doing anything else except for proceeding through the exam. We will also use Respondus Monitor. This system takes a video of you while you are taking the exam. With Monitor, I can verify that you really are you by checking against the photo roster in Blackboard. I can also be certain that you are not collaborating with anyone. Both systems are free. Exams are open book and open notes.

Grading

Exam I: 15%, Exam II: 15%, Final: 20%, Homework 40%, Retirement Planning Project 10%. The bonus questions mentioned earlier collectively add up to 5% to your grade. I don't do make-up exams. If you miss Exam I or II for whatever reason, I will add the weight for that exam to the final. Note that once you take an exam, you can't come back to me and give a long and drawn out story for why your performance was adversely affected by some event. If you do poorly on an exam, suck it up, study harder, and do better on the next one.

To calculate final grades, I will take a weighted average of exam, homework, and project grades and assign letter grades according to the following scale:

$$F < 60 \leq D < 65 \leq C < 77 \leq C+ < 79.5 \leq B < 87 \leq B+ < 89.5 \leq A.$$

(Note that < 89.5 means that 89.49999 is not an A and that < 87 means that 86.99999 is not a B+. When the university allows us to assign minus grades I will reconsider this policy.)

Learning Objectives:

Each student will be able to:

- Explain the distinction between primary and secondary markets.
- Understand how secondary markets like the NYSE and NASDAQ stock exchanges support the primary markets where entities like public corporations actually raise capital.
- Describe the basic characteristics of stocks and bonds including how they are issued and how they are traded.
- Explain how financial institutions like banks, insurance companies and pension funds intermediate between suppliers and users of capital.
- Calculate the present value and future value of a lump sum, annuity, perpetuity, and growing perpetuity.
- Calculate important Time Value of Money values such as implied interest rates, annualized interest rates, payment schedules, etc.
- Value a basic fixed-income security like a Treasury Bond using Time Value of Money principals.
- Value a share of stock using the Dividend Discount Model and using comparison firm ratios like the Price/Earnings Ratio.
- Describe the importance of diversification from both an intuitive and a statistical perspective.
- Understand the distinction between systematic and non-systematic risk.
- Explain how the restrictive assumptions of the Capital Asset Pricing Model lead to an equilibrium relationship between relative exposure to systematic risk and the expected return of a risky security like corporate equity.
- Calculate a firm's cost of capital.
- Estimate the free cash flows of an investment project using basic accounting information.
- Calculate a project's Net Present Value and Internal Rate of Return.
- Understand how basic derivative securities like Futures, Options, and Swaps operate.
- Understand how basic derivative securities are used to manage risk.
- Write a feasible plan for saving and investing for life's major events.

Schedule

Day 1: *Mon Dec 28* - Introduction to Finance

- Get your Cengage/Blackboard account set up.
- Introduction Recorded Lectures
- Text Chapters 1 & 3
- Hmws for text chapters 1 & 3 due by 11 pm.

Day 2: *Tues Dec 29* – Financial Statement Analysis

- Financial Statement and Financial Statement Analysis Recorded Lectures
- Text Chapter 2
- Hmwk for text chapter 2 due by 11 pm.

Day 3: *Wed Dec 30*: Time Value of Money

- Time Value of Money Recorded Lectures
- Text Chapter 4
- Hmwk for text chapter 4 due by 11 pm.

Day 4: *Th Dec 31 (yes this is New Year's Eve)*: Interest Rates

- Interest Rates and the Yield Curve Recorded Lectures
- Text Chapter 5
- Hmwk for text chapter 5 due by 11 pm.

Day 5: *Fri Jan 1*: New Year's Day – no work due.

Day 6: *Mon Jan 4*

- **Exam 1 (on Blackboard) due by 11 pm Monday Jan 4. Covers chapters 1-5**

Day 7: *Tues Jan 5*: Bonds and Bond Valuation

- Bonds and Bond Valuation Recorded Lectures
- Text Chapter 6
- Hmwk for text chapter 6 due by 11 pm.

Day 8: *Wed Jan 6*: Equity Valuation and Payout Policy

- Equity and Payout Policy Recorded Lectures
- Text Chapters 7 & 13
- Hmws for Chapters 7 due by 11 pm (we are not doing the Ch 13 homework).

Day 9: *Th Jan 7*: Risk and Return

- Risk and Return Recorded Lectures
- Text Chapter 8
- Hmwk for text chapter 8 due by 11.

Day 10: *Fri Jan 8*: Practical Financial Advice

- Practical Financial Advice Recorded Lectures
- Reading on Blackboard
- Financial Planning Project (on Blackboard) due by 11 pm Sunday January 12. I deduct 10% for every 24-hour period that the project is late. 11:01 pm on Sunday counts as one period late.

Day 11: *Mon Jan 11*:

- **Exam 2 (on Blackboard) due by 11 pm. Covers chapters 6-8, 13, Practical**

Day 12: *Tues Jan 12*: Capital Budgeting Techniques

- Capital Budgeting Techniques Recorded Lectures
- Text Chapter 9
- Hmwk for text chapters 9 due by 11 pm Sunday.

Day 13: *Wed Jan 13*: Capital Budgeting Cash Flows

- Capital Budgeting Cash Flows Recorded Lectures
- Text Chapter 10
- Hmwk for text chapter 10 due by 11 pm.

Day 14: *Th Jan 14*: Cost of Capital

- Cost of Capital Recorded Lectures
- Text Chapter 11
- Hmwk for text chapter 11 due by 11 pm.

Day 15: *Fri Jan 15*: Capital Structure

- Capital Structure Recorded Lectures
- Text Chapter 12
- Hmwk for text chapter 12 due by 11 pm.

Day 16: *Mon Jan 17*: Final Exam

- **Final Exam (on Blackboard) due by 11 pm Monday Jan 17th.**

Academic Honesty

University of South Carolina Honor Code:

It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violates this Honor Code or who knowingly assists another to violate this Honor Code shall be subject to discipline.

The Honor Code is intended to prohibit all forms of academic dishonesty and should be interpreted broadly to carry out that purpose. The following examples illustrate conduct that violates this Honor Code, but this list is not intended to be an exhaustive compilation of conduct prohibited by the Honor Code:

1. Giving or receiving unauthorized assistance, or attempting to give or receive such assistance, in connection with the performance of any academic work.
2. Unauthorized use of materials or information of any type or the unauthorized use of any electronic or mechanical device in connection with the completion of any academic work.
3. Access to the contents of any test or examination or the purchase, sale, or theft of any test or examination prior to its administration.
4. Use of another person's work or ideas without proper acknowledgment of source.
5. Intentional misrepresentation by word or action of any situation of fact, or intentional omission of material fact, so as to mislead any person in connection with any academic work (including, without limitation, the scheduling, completion, performance, or submission of any such work).
6. Offering or giving any favor or thing of value for the purpose of influencing improperly a grade or other evaluation of a student in an academic program.
7. Conduct intended to interfere with an instructor's ability to evaluate accurately a student's competency or performance in an academic program.

Whenever a student is uncertain as to whether conduct would violate this Honor Code, it is the responsibility of the student to seek clarification from the appropriate faculty member or instructor of record prior to engaging in such conduct.

All students must review the Office of Academic Integrity sanctions. This information may be found at <http://www.housing.sc.edu/academicintegrity/sanctions.html> One or more of the following sanctions may be imposed for Academic Integrity violations: 1) Expulsion from the University; 2) Suspension from the University for a period of no less than one semester; and/or Probation. A combination of the above sanctions may be implemented. It should be noted that submitting someone else's work is cheating and against the Carolina Code. Cheating, or any other Academic Integrity violations, will result in **failure of the course for all involved parties**. All parties will also be referred to the Office of Academic Integrity for additional retribution. Contact Information: Byrnes 201, 803.777.4333, <https://www.sa.sc.edu/academicintegrity>

Undergraduate Code of Conduct

The Darla Moore School of Business is recognized globally for educating students who are prepared to become responsible business and civic leaders. An effective learning environment where students and faculty value integrity, professionalism and diligence is foundational to this mission. Consistent with these values, the Student Leadership Council and the faculty of the Darla Moore School of Business expect students to:

- spend a minimum of two hours outside of class studying for each hour of classroom time;
- exhibit classroom behavior that is respectful to faculty and fellow students;
- refrain from the use of phones and other electronic equipment during class, unless permitted by the instructor;
- arrive at class on time, actively participate in class, and not leave class early;
- keep up with assigned readings and complete assignments on time;
- contribute fully to team assignments;
- respect the university's staff and be responsible stewards of its facilities; and
- abide by the University of South Carolina Honor Code Approved by the Undergraduate Student Leadership Council and the faculty of the Darla Moore School of Business

Disabilities

Students with disabilities should contact the Student Disability Resource Center. The contact information is below:

1523 Greene Street, LeConte Room 112A
Columbia, SC 29208
Phone: 803.777.6142 Fax: 803.777.6741
Email: sasds@mailbox.sc.edu Web: <http://www.sa.sc.edu/sds/>

These services provide assistance with accessibility and other issues to help those with disabilities be more successful. Additionally, students with should review the information on the Disabilities Services website and communicate with the professor during the first week of class. Other academic support resources may help students be more successful in the course as well.

Library Services (http://www.sc.edu/study/libraries_and_collections)
Writing Center (<http://www.cas.sc.edu/write>)
Student Technology Resources (<http://www.sc.edu/technology/techstudents.html>)