



SAINT LOUIS UNIVERSITY – MADRID CAMPUS
Faculty of Business Administration & Economics

1 Course Information

Course Title	: Principles of Finance
Course Number	: FIN-3010-MO1
Semester	: Spring 2018
Meeting Time	: 4:00 PM - 5:15 PM
Meeting Days	: Monday & Wednesday, San Ignacio Hall C
Prerequisite	: OPM 2070, ACCT 2200, ECON 1900 and co-req ACCT 2220
Credits hours	: 3
Curriculum	: Business core requirement

2 Instructor Information

Name	: Paolo Saona Hoffmann, Ph.D.
Office Location	: Padre Arrupe Hall, attic
Contact Telephone	: +34915545858 (ext. 254)
E-mail	: paolo.saona@slu.edu (please use the prefix “FIN-3010-MO1” to start the subject line in all e-mails pertaining to this class. For example: “FIN-3010-MO1 – I will be absent on Monday”)
Office hours	: Monday and Wednesday from 9:30 AM to 13:00 PM
Contacting me	: First, ask questions in class (it helps and others will likely have the same questions). Second, come see me during my office hours as listed above. Third, if neither of these options is possible, please send me an e-mail and alternative arrangements can be decided on

3 Course Description

The primary goal of the course is to introduce you to the world of finance. Topics to be covered include financial management and concepts, risk and rates of returns, time value of money, valuation of bonds and stocks, capital structure concepts, derivatives and risk management, and issues in multinational financial management. As stipulated in the university catalogue, students should already have completed a course in both accounting and economics.

4 Learning objectives (desired student achievements) for FIN-3010

- Identify maximization of the current value per share of the existing stock as the primary goal of financial management.
- Use financial statements to evaluate company performance and develop suggestions for improvement.
- Understand the characteristics of fixed income and equity securities, and their markets.
- Value various investment assets - Fixed income securities, equity securities and capital investments.
- Understand the importance of diversification.

5 Course Required Material

Required Textbook: *CFIN* by Besley and Brigham (4th Ed.) and the teacher notes presented in the classes. Despite 4th edition is recommended, any older edition of this textbook works perfect for this course. Students can buy the textbook going to the following website: <http://www.cengagebrain.co.uk/shop/index.html>, input the ISBN code of CFIN4: 9781285434544, do search for this title and then “add” to the cart and proceed as appear instructions to complete the purchase.

Suggested Optional Reading: *Fundamentals of Financial Management* by Eugene F. Brigham, and Joel F. Houston (11th ed.)

Other material: Additional material is located on Blackboard Learn. Over there the student will find the all power point presentations shown in class, the solution to the end of the chapter problems, additional problems and their solutions, the simulator for the Hewlett Packard Calculator to practice with the computer at home, the case studies, among others.

Financial calculator: *HP-10B* or *HP-17B* highly recommended.

Recommended Readings: *The Economist*, *The Wall Street Journal*, *Harvard Business Review*, *Financial Times*.

6 General Information

This course will be taught with a combination of lectures, interactive discussion sessions and the solution of different examples and exercises. Lecture sessions will cover key aspects of conceptual and difficult sections of the chapter. Tests will be based on lectures, the study of the chapters, and assigned readings.

7 Course Requirements

Grade Components and dates:
Mid Term Test (25%) –February 21–

Final Examination (40%) –May 08 at 3:30 PM–
Quizzes (25%) –Quiz I February 13 and Quiz II April 25–
Case Studies (10%) –2 case studies to be assigned once covering Chapters 4 and 6&7–

Grade Scale:

Letter grades are based on a 100 percent grading scale. The percentage you earn determines your course letter grade (i.e., your “final grade” in this course).

A mark of x on an examination or assignment will result in a(n):

$90.0 \leq x < 95 = A-$	$95.0 \leq x \leq 100 = A$	
$80.0 \leq x < 83 = B-$	$83.0 \leq x < 87 = B$	$87.0 \leq x < 90 = B+$
$70.0 \leq x < 73 = C-$	$73.0 \leq x < 77 = C$	$77.0 \leq x < 80 = C+$
	$60.0 \leq x < 70 = D$	
	$x < 60 = F$	

Grading Methodology:

- *Term Tests (65%):* There will be a total of two tests (1 midterm and 1 final examination). These evaluations will be given as closed book and are basically a mixture of multiple choice questions (+/- 35%), the solution of problems (+/-55%), and a few short answer questions (+/- 10%).
- *Quizzes (25%):* Previously to the mid-term test and the final exam the students will take a quiz to be better prepared for the mid-term and the final exam, respectively.
- *Case Studies (10%):* The two assignments will be based on the solution of cases related with the studied topics of chapters 4 and 6&7 respectively.
- For participation in classes, students will be called upon randomly throughout the semester to give answers or comments on questions and issues. It is expected that the student attends the classes and follow the chapters with a high critical thinking behavior.

Classroom Philosophy, Policy of Missing Exams & Late Submission:

- Consistent attendance is strongly encouraged for a thorough understanding of the concepts at hand. Active participation in classroom discussions is an instrumental component of this process. Concepts that are unclear to you personally are likely concerns shared among your peers as well. Finance is not a field which can be learned in isolation quickly prior to being graded. A strong correlation between classroom attendance and participation and course comprehension exists. Students will be responsible for all announcements, information, problems or course changes that are made during lecture times. Students who wish to refrain from classroom participation may see me, and alternatives may be arranged.
- Please show up to class regularly and promptly. Lateness is not only disruptive, it is inexcusable (unless you have a valid excuse). I make a strong effort to give timely performance in class and expect the same of you. Tests and case studies due dates are scheduled well in advance, so you can plan around these dates. I feel that exams/assignments are fair to everyone if and only if everyone completes them at the same time. It is not only impossible to come up with an alternative which is fair to everyone but it also imposes a significant cost on other students and me. Therefore, I have strict policy on late assignments/exams.
- Any consideration for missing a test will be taken into account only under truly

exceptional circumstances. I will require, at a minimum, a signed formal note and a phone number of the physician or other relevant person. Be aware that a mere note indicating that you visited a physician around the date of the exam will not be sufficient. The burden of the proof will be on the student. Missing exams or late submission of assignments without a formal note justifying the fact will be graded with 0.0%.

- No late submissions for the study cases will be accepted. All required assignments are to be submitted on time. Students are expected to be working on the assignments throughout the term and not just on the last few days. Hardware failure or inaccessibility is not an excuse reason.
- There will be NO makeup exam/test. In order to be excused from an exam/test, the student must contact me before the exam/test. In most cases I will require students to provide me with additional documentation to justify why the student is unable to take the exam. Please note that a simple note indicating that you were seen at the health center the day of the exam does not, in and of itself provide sufficient documentation. Excuses will be granted if the student is unable to take the exam because of serious illness or injury, or a significant personal or professional commitment.
- Tardiness is at best a rude disruption to your fellow classmates who are punctual, and except for legitimate reasons (doctor's letter certifying illness for example), you are expected to attend all class sessions.
- Although there are no credits for attendance, ALL the students are expected to attend every single session. Absence will for sure be detrimental in the student's individual performance.

Late Policy:

Midterm and final examinations must be written on their respective dates. No alternative examinations will be scheduled except in the case of excused medical absences. Cases of excused medical absences must be petitioned for through the Chair of the department. Make-up midterms are subject to approval by the professor, the Chair and the Department of Business and Economics. All changes to the final examination must be approved by the Academic Dean.

Early Warning:

If you want to receive a good grade it is vital that you attend class and stay current with the material. If you miss a class for any reason it is up to you to obtain notes through someone else. I am more than happy to discuss finance (topics discussed either in class or ones that have special interest to you). However, do not expect me to repeat or summarize any lectures that you have missed. Average midterm and final examination grades typically fall into the "C" range. To pre-emptively answer a question that you may have – *yes, this class is extremely difficult*. But hard continual work and dedication can ensure that you are well prepared for examinations when the time comes.

8 Course Outline¹

Chapter 1: An Overview of Managerial Finance

What is finance?

General areas of finance

¹ This schedule is subject to change. Eventual variations will be announced in class.

Alternative forms of business organization
The goal of a CFO
The agency relationship
Business ethics

Chapter 2: Analysis of Financial Statements

Financial reports
Financial statements and their analysis
Uses and limitations of ratio analysis

Chapter 4: Time Value of Money

Cash flow patterns
Future value
Present value
Solving for interest rates and time
Annual percentage rate (APR) and effective annual rate (EAR)
Semiannual and other compounding periods
Comparison of different interest rates
Amortized loans

Chapter 6: Bonds –Characteristics and Valuation

Debt characteristics
Types of debt
Bond contract features
Foreign debt instruments
Bond ratings
Valuation of bonds
Finding bond yields: Yield to maturity and yield to call
Interest rates on bond values

Chapter 7: Stocks –Characteristics and Valuation

Preferred stock
Common stock
Stock valuation: The dividend discount model
Valuing stocks with constant, or normal, growth
Valuing stocks with nonconstant growth
Other stock valuation methods
Changes in stock prices

Chapter 8: Risk and Rates of Return

Defining and measuring risk
Expected rate of return
Portfolio risk
The relationship between risk and rates of return: The CAPM

Chapter 9: Capital Budgeting Techniques

Importance of capital budgeting
Similarities between capital budgeting and asset valuation

Net present value
Internal rate of return
Modified internal rate of return
Payback period: Traditional and discounted

Chapter 11: The Cost of Capital

Component costs of capital
Cost of debt
Cost of preferred stocks
Cost of retained earnings (internal equity)
Cost of newly issued common stocks (external equity)
Weighted average cost of capital (WACC)
WACC versus required rate of return of investors

Chapter 12: Capital Structure

Business risk and financial risk
Determining the optimal capital structure
Degree of leverage
Degree of operating leverage
Degree of financial leverage
Degree of total leverage
Liquidity and capital structure
Capital structure theory
Trade-off theory
Signaling theory
Variation in capital structures among firms

9 Important Dates

January 21 – Last Day to Drop a Class Without a Grade of W and/or Add a Class
January 21 – Last day to choose audit (AU) or Pass/No Pass (P/NP) options
March 09 – Last Day to Drop a Class and Receive a Grade of W
March 15 – Last day to submit Transfer Application for fall semester
April 04 – Registration for Fall 2018 semester opens

10 Academic Accommodations and Learning Resources Statement

In recognition that people learn in a variety of ways and that learning is influenced by multiple factors (e.g., prior experience, study skills, learning disability), resources to support student success are available on campus. Students who think they might benefit from these resources can find out more about:

1. Course-level support (e.g., faculty member, departmental resources, etc.) by asking your course instructor.
2. University-level support (e.g., tutoring/writing services, Disability Services) by visiting the Academic Dean's Office (San Ignacio Hall) or by going to <http://www.slu.edu/madrid/learning-resources>.

Students with a documented disability who wish to request academic accommodations must contact Disability Services to discuss accommodation requests and eligibility requirements. Once successfully registered, the student also must notify the course instructor that they wish to access accommodations in the course. Please contact Disability Services at disabilityservices-madrid@slu.edu or +915 54 58 58, ext. 230 for an appointment. Confidentiality will be observed in all inquiries. Once approved, information about the student's eligibility for academic accommodations will be shared with course instructors via email from Disability Services. For more information about academic accommodations, see "Student Resources" on the SLU-Madrid webpage.

Note: Students who do not have a documented disability but who think they may have one are encouraged to contact Disability Services.

11 Academic Integrity Statement

Academic integrity is honest, truthful and responsible conduct in all academic endeavors. The mission of Saint Louis University is "the pursuit of truth for the greater glory of God and for the service of humanity." Accordingly, all acts of falsehood demean and compromise the corporate endeavors of teaching, research, health care and community service via which SLU embodies its mission. The University strives to prepare students for lives of personal and professional integrity, and therefore regards all breaches of academic integrity as matters of serious concern.

The governing University-level Academic Integrity Policy can be accessed on the Provost's Office website at: http://www.slu.edu/Documents/provost/academic_affairs/University-wide%20Academic%20Integrity%20Policy%20FINAL%20%206-26-15.pdf.

As a member of the University community, you are expected to know and abide by these policies, which detail definitions of violations, processes for reporting violations, sanctions and appeals.

12 Student Outcome Assessment

In order to maintain quality academic offerings and to conform to accreditation requirements, SLU-Madrid regularly assesses its teaching, services and programs for evidence of student learning. For this purpose, SLU-Madrid keeps representative examples of student work from all courses and programs on file, including assignments, papers, exams, portfolios and results from student surveys, focus groups and reflective exercises. Copies of your work for this course may be kept on file for institutional research, assessment and accreditation purposes. If you prefer SLU-Madrid not to retain your work for this purpose, you must communicate this decision in writing to your professor.

13 Title IX Statement

Saint Louis University and its faculty are committed to supporting our students and seeking an environment that is free of bias, discrimination, and harassment. If you have encountered any form of sexual misconduct (e.g. sexual assault, sexual harassment, stalking, domestic or

dating violence), we encourage you to report this to the University. If you speak with a faculty member about an incident of misconduct, that faculty member must notify SLU's Title IX deputy coordinator, Marta Maruri, whose office is located on the ground floor of Padre Rubio Hall, Avenida del Valle, 28 (mmaruri@slu.edu; 915-54-5858, ext. 213) and share the basic fact of your experience with her. The Title IX deputy coordinator will then be available to assist you in understanding all of your options and in connecting you with all possible resources on and off campus.

If you wish to speak with a confidential source, you may contact the counselors at the SLU-Madrid's Counseling Services on the third floor of San Ignacio Hall (counselingcenter-madrid@slu.edu; 915-54-5858, ext. 230) or Sineus Multipletherapy Institute, the off-campus provider of counseling services for SLU-Madrid (www.sineus.es; 917-00-1979). To view SLU-Madrid's sexual misconduct policy and for resources, please visit the following web address:<http://www.slu.edu/Documents/Madrid/campus-life/SLUMadridSexualMisconductPolicy.pdf>.