

**FINANCE 500**  
**Introduction to Finance**  
**Spring 2019 (Section MSP)**  
(03:30-4:50 T/R in 166 Wohlers)

**Instructor:** Matthew Marcinkowski

**Mailbox:** 340 Wohlers

**Telephone:** 333-8947 (do not leave voicemail messages, e-mail me instead)

**Office Hours:** Wednesdays 9:30-11:00 (subject to change) or by appointment in 109 Wohlers

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### **Course Description**

*Introduction to financial management and decision making. A customized course, designed to provide a survey of finance for graduate students who do not necessarily have previous training in the disciplines.*

Tentative list of topics:

- I. Introduction:
  - a. Measures of return
  - b. Time value of money
  - c. Basic bond valuation
  - d. Duration & convexity
- II. Selected topics in investments and portfolio theory
  - a. 2-asset portfolio
  - b. Markowitz optimization with many assets
  - c. Capital Asset Pricing Model
  - d. Refinements, critiques & implementation.
  - e. Derivatives
- III. Selected topics in corporate finance
  - a. Review of financial statements & ratio analysis
  - b. Cost of capital
  - c. Project evaluation & capital budgeting
  - d. Real options
  - e. Introduction to corporate financing
  - f. Capital structure
  - g. Payout Policy
  - h. Corporate Governance

## Important Dates

February 28, 2019 – Midterm Exam I (in class – **subject to change**)

March 19 & 21, 2019 – Spring Break (no class)

April 30, 2019 – Midterm Exam II

## Required Materials

- Lecture notes & other materials posted on FIN500 Compass webpage.\*
- Any readings specifically designated as required (typically available on-line).
- TI BA II Plus Financial calculator (including the Platinum version). No other calculators will be supported or permitted on examinations.

\* Do not assume that the lecture notes posted on Compass are either complete or correct. We will discuss topics & work on examples that do not appear in the notes. Moreover, you are responsible for any corrections made in class. I will assume you have access to your notes (either a hard copy or viewed on your laptop) during the lectures.

## Optional Material

- Aswath Damodaran; *Corporate Finance: Theory and Practice*, John Wiley & Sons, Second Edition, 2001.
- Zvi Bodie, Alex Kane, Allan Marcus; *Investments*, McGraw-Hill Irwin, any recent edition.
- Laptop computer with MS Excel (not absolutely necessary, but will be helpful for some lectures). Windows OS only - I will not help you with any Excel work if you use a Mac.

I will not follow any textbook in this class. Whenever there is an apparent conflict/discrepancy between your textbooks and the lecture notes, the lecture notes will prevail.

## Final Grade Components

- 1) Midterm Exam I (35%) (in-class, tentatively scheduled for February 28, 2019)
- 2) Midterm Exam II (35%) (in-class, scheduled for April 30, 2019)
- 3) Quizzes (15%)\*#
- 4) Homework assignments (15%)\*\*

\* You will be asked to work on problems/cases in class. Some, but not all, of such exercises will be handed in for credit. Between 4 and 10 graded in-class problem sets will be given without prior announcement. Two lowest scores will be dropped and the arithmetic average of the remaining scores will be used to establish the quiz component of your course total. There will be no make-ups for in-class exercises you have missed (even if you have a valid excuse for your absence). We drop two lowest scores to allow for emergencies.

# There may be bonus quizzes given during the semester.

\*\* There will be between 3 and 4 assignments given during the semester. Each assignment is to be completed in a group of 3-5 students (no individual assignments please – you will need my approval for groups smaller than 3). Limit your collaboration to the other members of your group – no collaboration with other groups, please. Unless announced otherwise, assignments will be due in class. If you fail to submit your assignment on time, you may submit it late, but a late penalty will be assessed according to the following schedule:

- Assignment submitted by 4:30pm one business day after the due date: 25% of max. score
- Assignment submitted by 4:30pm two business days after the due date: 50% of max. score
- Assignment submitted after 4:30pm two business days after the due date: 100% of max. score

Late assignments are to be submitted in 340 Wohlers. Please, ask the receptionist or one of the office staff to print his/her name, date/time and to sign your assignment. I will discard (without grading) any assignments that are missing dates/signatures or that have been submitted at any other location. All assignments will count toward your final grade, but their weights will not necessarily be equal (for instance, an assignment worth 200 points will receive twice the weight of an assignment worth 100 points).

### **IMPORTANT FORMULA SHEET REQUIREMENTS**

You will be permitted to use a self-made formula sheet on your exams. The formula sheet must adhere to the following requirements:

- It must be hand-written in permanent ink or printed on a computer printer (no pencil permitted) on a single sheet of standard letter-size paper (single or double-sided, no restrictions on font/margin size).
- Your name, NetID and your signature in ink must appear on the formula sheet.
- It must not contain any text, other than short labels for sections/equations. This includes, but is not limited to, any definitions, theorems
- It must not contain any solutions to numerical problems/examples. However, proofs or sketches of proofs using symbols only are permitted.
- It must not contain any graphs.
- If the formula sheet is handwritten, any deletions must be executed in such a manner that the deleted content remains legible. No deletions are permitted on computer generated formula sheets.
- You must submit your formula sheet for grading along with your exam paper.
- Your formula sheet must represent your own individual effort. You are not permitted to use formula sheets, or parts thereof, prepared by others even with an appropriate attribution.
- **You must NOT copy and paste anything from the lecture notes or other materials I have made available to you.**

By electing to use a self-made formula sheet, you agree to follow the requirements described above. If you violate any of these requirements, you will receive a score of 0 points on the affected examination (100% penalty).

### **Grading Outline**

Students must earn a passing score on the exam component (weighted average of the midterm and the final exam) in order to receive a passing grade in the course. The standard grading scale (with +/- grades) will be used. Overall course average of 93% or higher will guarantee a final grade of an A. In-class quizzes will not be announced in-advance and must be submitted by each student individually. There will be no make-ups for quizzes, but two lowest quiz scores will not be counted toward the final average. No grade-related complaints/appeals will be considered after seven business days had elapsed from the day when your graded work was returned (or after the last day of classes, whichever is earlier). Grades are non-negotiable.

### **Electronic Devices Policy**

Texas Instruments BA II Plus (or BA II Plus Professional) is permitted on exam and quizzes. Other electronic devices, including cell phones, tablets, laptop computers, and audio players (including headphones), are prohibited during exams. Power must be removed from all devices that may emit sounds, such as cell phones.

## **Classroom Policies**

I am particularly intolerant of lateness. I will come to class on time. However, I will not begin the actual lecture until exactly 3:35pm. If you are more than 5 minutes late, do NOT ENTER the classroom. If you believe that you will not be able to come to class on time on a regular basis, please discuss it with me in advance. If you are to be late due to exceptional circumstances, e-mail me about it before class.

## **Office Hours & e-mail policy**

As a matter of policy, I will refuse to go over lecture material if you did not attend class. It is your own responsibility to obtain lecture notes from your colleagues and to ensure you understand the material. If you have an ongoing issue that causes you to miss lectures, please discuss it with me before it begins to affect your performance in the course.

Do not rely on e-mail for emergency communications – it may take me up to 2 business days to get back to you. While I will attempt to reply to your e-mails you send on weekends, you should not count on hearing back from me before Mon. afternoon. Certain issues are extremely difficult or very time consuming to address via e-mail – I will ask you to meet me if I believe your message falls into this category. Please, e-mail me only from your **illinois.edu** account – I will not read or reply to e-mail messages originating from non-university accounts.

## **Students with Disabilities**

Please consult:

<http://disability.illinois.edu/academic-support/accommodations/testing-accommodations> and let me know immediately if you qualify for special accommodations on timed, graded work.

## **Emergencies**

Please be aware of your environment. In the event of an emergency (weather, fire, etc.) it is important that we are all familiar with the location of exits and designated safe places.

## **Academic Integrity**

The University statement on your obligation to maintain academic integrity is:

If you engage in an act of academic dishonesty, you become liable to severe disciplinary action. Such acts include cheating; fabrication or invention of information or citation in an academic endeavor; helping or attempting to help others commit academic infractions; plagiarism; bribes, favors, or threats; academic interference; computer related infractions; unauthorized use of university resources; sale of class materials or notes; failure to comply with research regulations. Part 4 of the Student Code gives complete details of rules governing academic integrity for all students. You are responsible for knowing and abiding by these rules. Giving or receiving assistance on a graded work meant as individual effort will result in a score of zero for the work, along with other potential consequences, including possible dismissal from the University. Collaboration on group work with individuals who are not members of your group will be penalized in the same fashion. Exams are to be assumed to be closed-book unless announced otherwise. The Code is available on the web at:

<http://www.admin.uiuc.edu/policy/code/>