

# San José State University

College of Business  
Accounting & Finance  
Course Number: 22681  
Fundamentals of Finance  
Bus 170-7, Spring 2012

**Updated: 1/23/12**

**Instructor:** William DeVincenzi (Mr. D)  
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**Office Hours:** Monday 1:30 – 3:00, Wednesday 9:30 to 11:00  
**Class Days/Time:** Monday, Wednesday 12:00 to 1:15  
**Classroom:** Boccardo Business Center 106  
**Prerequisites:** Bus 21, Econ 1A, Econ 1B, Bus 90. (with a minimum of “C” in each class) Do not take this course without the prerequisites!  
**Web:** [www.cob.sjsu.edu/devinc\\_w/index.htm](http://www.cob.sjsu.edu/devinc_w/index.htm)

## **Faculty Web Page and MYSJSU Messaging**

Copies of the course materials such as the syllabus, major assignment handouts, etc. may be found on my faculty web page ([www.cob.sjsu.edu/devinc\\_w/index.htm](http://www.cob.sjsu.edu/devinc_w/index.htm)) accessible through the faculty home page. You are responsible for regularly checking with the messaging system through MySJSU (or other communication system as indicated by the instructor).

## **Course Description**

To understand the Finance function and its relationship to other decision-making areas in the firm. To study the theory and techniques in acquiring and allocating financial resources from an internal management perspective.

## **Course Goals and Student Learning Objectives**

The goals of the course are as follows:

1. Provide students with in-depth knowledge of how to analyze and interpret financial statements

2. Teach students how to calculate and evaluate time value of money concepts and how it applies to real business problems
3. Provide students with the ability to create and evaluate capital budgets, including Net Present Value and Internal Rate of Return
4. Help students understand the impact of risk on return in evaluating business decisions using techniques such as cost of capital
5. Provide students with alternative methods for assessing the valuation of a firm and derive the best valuation estimate

### **Course Content Learning Outcomes**

Upon successful completion of this course, students will be able to:

1. Analyze financial statements and evaluate the financial viability of a company relative to comparable standards in the field
2. Evaluate various investments using time value of money techniques for decision making purposes
3. Create capital budgets for large capital expenditures and provide meaningful data such as net present value and internal rate of return for decision making purposes
4. Incorporate the impact of risk on the potential profitability of future projects
5. Calculate the value of a firm or investment using industry accepted methodologies

### **Required Texts/Readings**

#### **Textbook**

Financial Management: Principles and Practice; Timothy J. Gallagher, 5<sup>th</sup> Edition; ISBN 1-930-78978-5; Freeland Press; e-book version (with ads) \$11.95; e-book version (no ads) \$16.95; e-book printable version \$21.95; Paperback version with e-version access \$31.95. Go to [www.textbookmedia.com](http://www.textbookmedia.com). (Note: study guide, problem sets, excel templates, extra \$)

#### **Other Readings**

Study Guide for the above referenced book is recommended, but not required; it provides additional problems, quizzes with answers, etc. for enhanced learning. These and other study aids are available from Textbook Media

### **Classroom Protocol**

Since we are preparing you to be successful in the business world, this class will be conducted in accordance with good professional business behavior. This means that you will be expected to attend class sessions every scheduled date. If you must miss a class, you

should call or email me in advance of your absence. This will earn you informal participation points. You will also be expected to arrive in class on time, just as you would in the work place. Lateness, especially on days of in class group presentations, could result in lost participation points. Asking and answering questions, and coming to get help during office hours, will be considered good participation and can earn you informal participation points as well. At the end of the semester, these informal participation points will be considered if you have a borderline grade. There will be no eating or drinking (other than water) in the class room. Cell phones must not be seen or heard in the classroom. This includes head sets.

### **Dropping and Adding**

Students are responsible for understanding the policies and procedures about add/drops, academic renewal, etc. Information on add/drops are available at <http://info.sjsu.edu/web-dbggen/narr/soc-fall/rec-324.html> Information about late drop is available at <http://www.sjsu.edu/sac/policies/latedrops/>. Students should be aware of the current deadlines and penalties for adding and dropping classes.

### **Assignments and Grading Policy**

A grading curve is not used. The student's performance is measured solely against the standard of the grading scale and not against those around him or her. If a student has a borderline grade, the final exam will carry the most weight. Informal participation points will also be considered. The formal grading scale is as follows:

#### **Point distribution:**

2 interim exams (50 points each)	100
6 surprise quizzes (10 points each, drop lowest)	50
Final exam (comprehensive)	100
In class group presentation, or FMA	25
Homework	25
Total points possible	300

#### **Grading scale:**

<b><u>Grade</u></b>	<b><u>Point range</u></b>
A+	294-300
A	276-293
A-	270-275
B+	264-269

B	246-263
B-	240-245
C+	234-239
C	216-233
C-	210-215
D+	204-209
D	186-203
D-	180-185
F	Below 180

### **IN CLASS GROUP ASSIGNMENTS:**

In everyday practice, accountants are often given assignments for which only common sense and good analytical thinking is necessary. In other words, the solution cannot be found in a textbook. Oftentimes, such assignments are done in groups. To prepare you for such post-graduation group experiences, you will be given assignments of this nature. The solutions are to be presented by the group orally in class with a written version submitted in the following format:

1. Cover page will show the Group Number on top, followed by the title of your presentation and the date. In addition, you should list the names of the group members, your class and section number.
2. The paper should be four to five typed pages, double spaced, not including attachments
3. Narrative must be in essay format, with a beginning, middle and conclusion (not just adding your individual parts).
4. Submit on 8 ½ x 11 paper, stapled in the upper left corner
5. The report must be professional looking, free from grammatical and spelling errors, etc.

Each group assignment will be turned in at the beginning of class on the due date of your presentation. Therefore, make a Xerox copy for your use in the class presentation if needed. If the level of effort is not satisfactory on any of these assignments, a negative five points for that assignment will be factored into your grade.

You will be in groups of 4 or 5 students, randomly selected by me. Each oral presentation will last no more than 15 minutes! If you go over that time limit, I will subtract points and stop you before you finish. So practice with your team to make sure of good transitions and timeliness.

In addition, you will rate the level of contribution of each other member of your group from 1 to 5, with 5 being the highest and submit it to me confidentially on the due date. This rating is to assure that all members participate equitably. Failure to submit your individual evaluation will result in minus one point from your score. Teams will be penalized 5 points for dropouts, unless approved by me, and the person who drops gets a zero. The following is a list of group topics:

<b><u>Subject</u></b>	<b>Group</b>
Economic crisis – what went wrong, why, who’s to blame?	1
Economic recovery – what will it take, when, which industries?	2
Ethical issues in business, lessons learned?	3
The Next Industrial Revolution	4
Earth is Flat, Thomas Friedman – what does that mean for business	5
The triple bottom line	6
Going green, cost/benefit?	7

\*Instead of doing the In class Group Assignment, students can elect to attend at least 6 business meetings of the FMA student club (not including the orientation meeting) during the semester (you don’t have to join FMA) and write a one page report on what you heard or learned. You earn 1 point for each meeting attended and up to 3 points for each paper submitted. Benefits include hearing what each corporation is requiring for new student hires, what the Corporate culture is about, what opportunities are available, networking and submitting resumes, and hearing about hot topics the firms are currently dealing with. Note: It is your responsibility to sign the attendance log, including your student ID and class/section, in order to get credit for my course. You must notify me of your election by Monday, February 6<sup>th</sup>.

**HOMEWORK**

Homework must be typed and submitted when due according to the course schedule. See the attached Course Schedule for details. Your homework will help you understand the material covered in class better. So do it! It is worth 25 points.

**University Policies**

**Academic integrity**

Students should know the University’s Academic Integrity Policy that is available at [http://www.sa.sjsu.edu/download/judicial\\_affairs/Academic\\_Integrity\\_Policy\\_S07-2.pdf](http://www.sa.sjsu.edu/download/judicial_affairs/Academic_Integrity_Policy_S07-2.pdf) Your own commitment to learning, as evidenced by your enrollment at San Jose State University and the University’s integrity policy, require you to be honest in all your academic course work. Faculty members are required to report all infractions to the office of Student Conduct and Ethical Development. The website for Student Conduct and Ethical Development is available at [http://www.sa.sjsu.edu/judicial\\_affairs/index.html](http://www.sa.sjsu.edu/judicial_affairs/index.html)

Instances of academic dishonesty will not be tolerated. Cheating on exams or plagiarism (presenting the work of another as your own, or the use of another person's ideas without giving proper credit) will result in a failing grade and sanctions by the University. For this class, all assignments are to be completed by the individual student unless otherwise specified. If you would like to include in your assignment any material you have submitted, or plan to submit for another class, please note that SJSU's Academic Policy F06-1 requires approval of instructors.

### **Campus Policy in Compliance with the American Disabilities Act**

If you need course adaptations or accommodations because of a disability, or if you need to make special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. Presidential Directive 97-03 requires that students with disabilities requesting accommodations must register with the DRC (Disability Resource Center) to establish a record of their disability.

### **Student Technology Resources**

Computer labs for student use are available in the Academic Success Center located on the 1<sup>st</sup> floor of Clark Hall and on the 2<sup>nd</sup> floor of the Student Union. Additional computer labs may be available in your department/college. Computers are also available in the Martin Luther King Library.

A wide variety of audio-visual equipment is available for student checkout from Media Services located in IRC 112. These items include digital and VHS camcorders, VHS and Beta video players, 16 mm, slide, overhead, DVD, CD, and audiotape players, sound systems, wireless microphones, projection screens and monitors.

### **Learning Assistance Resource Center**

The Learning Assistance Resource Center (LARC) is located in Room 600 in the Student Services Center. It is designed to assist students in the development of their full academic potential and to motivate them to become self-directed learners. The center provides support services, such as skills assessment, individual or group tutorials, subject advising, learning assistance, summer academic preparation and basic skills development. The LARC website is located at

<http://www.sjsu.edu/larc/>

### **SJSU Writing Center**

The SJSU Writing Center is located in Room 126 in Clark Hall. It is staffed by professional instructors and upper-division or graduate-level writing specialists from each of the seven SJSU colleges. Our writing specialists have met a rigorous GPA requirement, and they are well trained to assist all students at all levels within all disciplines to become better writers.

The Writing Center website is located at  
<http://www.sjsu.edu/writingcenter/>

### **College of Business Policies:**

To ensure that every student, current and future, who takes courses in the Boccardo Business Center has the opportunity to experience an environment that is safe, attractive, and otherwise conducive to learning, the College of Business at San José State has established the following policies:

#### **Eating:**

Eating and drinking (except water) are prohibited in the Boccardo Business Center. Students with food will be asked to leave the building. Students who disrupt the course by eating and do not leave the building will be referred to the Judicial Affairs Officer of the University.

#### **Cell Phones:**

Students will turn their cell phones off or put them on vibrate mode while in class. They will not answer their phones in class. Students whose phones disrupt the course and do not stop when requested by the instructor will be referred to the Judicial Affairs Officer of the University.

#### **Computer Use:**

In the classroom, faculty allow students to use computers only for class-related activities. These include activities such as taking notes on the lecture underway, following the lecture on Web-based PowerPoint slides that the instructor has posted, and finding Web sites to which the instructor directs students at the time of the lecture. Students who use their computers for other activities or who abuse the equipment in any way, at a minimum, will be asked to leave the class and will lose participation points for the day, and, at a maximum, will be referred to the Judicial Affairs Officer of the University for disrupting the course. (Such referral can lead to suspension from the University.) Students are urged to report to their instructors computer use that they regard as inappropriate (i.e., used for activities that are not class related).

#### **Academic Honesty:**

Faculty will make every reasonable effort to foster honest academic conduct in their courses. They will secure examinations and their answers so that students cannot have prior access to them and proctor examinations to prevent students from copying or exchanging information. They will be on the alert for plagiarism. Faculty will provide additional information, ideally on the green sheet, about other unacceptable procedures in class work and examinations. Students who are caught cheating will be reported to the Judicial Affairs Officer of the University, as prescribed by Academic Senate Policy S04-12.

## Bus 170-7, Spring 2012 Course Schedule

Class	Date	Topics, Readings, Assignments, Deadlines
1	1/25	Orientation – course overview
2	1/30	10 Axioms; Ch 1 overview of finance Ch 1 homework: Handout
3	2/01	Review/collect homework – Ch 1 and axioms Ch 4: Review of Accounting – Basic financial statements
4	2/06	Ch 4: Review of Accounting – Basic financial statements Ch 4 homework: P4-4; 4-9; 4-10; 4-18; 4-19
5	2/08	Review/collect Ch 4 homework – basic financial statements Ch 5: Analysis of financial statements – ratios
6	2/13	Ch 5: Analysis of financial statements – ratios, trends
7	2/15	Ch 5: Analysis of financial statements – apply ratios Ch 5 homework: P5-6; 5-7; 5-8; 5-9, 5-31
8	2/20	Group 1 presentation – Economic crisis Review/collect Ch 5 homework – ratio applications Exam #1 preview
9	2/22	<b>Exam #1 Chapters 1, 4 and 5</b>
10	2/27	Group 2 presentation – Economic recovery Review exam #1 Ch 7: Risk and return
11	2/29	Ch 7: Risk and return Ch 7 homework: P7-5; 7-8; 7-12; 7-14

12	3/05	Group 3 presentation – Ethical issues in business Review/collect Ch 7 homework Ch 8: Time value of money - concepts
13	3/07	Ch 8: Time value of money – formulas Ch 8 homework Part1: P8-3; 8-5; 8-7; 8-9
14	3/12	Group 4 presentation – The Next Industrial Revolution Review/collect Ch 8 homework Part 1 Ch 8: Time value of money – applications Ch 8 homework Part 2: P8-32; 8-42; 8-45; 8-57
15	3/14	Review/Collect Ch 8 homework Part 2 Ch 9: Cost of capital
16	3/19	Group 5 presentation – Earth is Flat, (Thomas Freidman book) Ch 9: Cost of Capital
17	3/21	Ch 9 Cost of Capital Ch 9 homework: P9-3; 9-9; 9-12; 9-18; 9-24
	3/26 – 3/30	<b>Semester Break</b>
18	4/02	Group 6 presentation – The Triple Bottom Line Review Ch 9 homework – cost of capital Exam #2 Preview
19	4/04	<b>Exam #2 Chapters 7, 8 and 9</b> Collect Ch 9 HW
20	4/09	Exam #2 Review Ch 10: Capital budgeting – Payback, NPV

	4/11	Ch 10: Capital budgeting – IRR (Ch 10 homework: P10-1;10-7;10-9;10-11)
22	4/16	Review/collect Ch 10 homework Capital Budget Comprehensive Problem
23	4/18	Ch 14: Bonds & Preferred Stock (p. 414-428) Group 7 presentation – Going Green-Cost/benefit
24	4/23	Ch 14: Preferred Stock Ch 15: Common Stock (p. 440-451)
25	4/25	Ch 15: Common Stock (Ch 14 & 15 homework: P14-1, 14-3, 14-10, Ch 15, RQ-3)
26	4/30	Review & Collect Ch 14 & Ch 15 homework Ch 12 Business Valuation
27	5/02	Ch 12: Business Valuation (Ch 12 homework: P12-1;12-5; 12-10; 12-13)
28	5/07	Review/collect Ch 12 homework Ch 18: Managing Cash
29	5/09	Ch 18 Managing Cash – Cash budget (Ch 18 homework: P18-6;18-10; 18-13 (see power points)) SOTES
30	5/14	Ch 18 Cash collection procedures Review/Collect Ch 18 homework Final Exam Review
	5/22	<b>Final Exam; BBC 106; 9:45 – 12:00</b>