

BA 2802-Section 02 Principles of Finance

Class Schedule: Tuesday-Thursday 12:40-13:55 via zoom

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| Instructor: | Dr. Hande Ayaydın Hacıömeroğlu |
| Office: | FEAS Building B, H 121 |
| Phone: | 210 2044 |
| E-mail: | hande@metu.edu.tr |
| Office Hours: | Monday and Wednesday 10:40-11:55 via zoom. |
| Course Web Page: | https://odtuclass.metu.edu.tr/ Students are a natural member of ODTU Class. All the course material including power point slides and solutions to end of chapter problems, your grades, assignments and announcements will be posted there. In order to not to miss anything, please check your METU email accounts regularly. |
| Course Description: | |
| <p>Students interested concentrating in the field of finance should view this course as a critical foundation for future studies and work in the areas of corporate finance, financial markets, international financial markets or other financial institutions. Students who do not pursue a career in a finance-related area will gain an understanding of responsibilities, concerns and methods of analysis used by corporate financial managers. This coursework will examine not only the principles and theories of finance but specifically how these techniques are applied in practice.</p> <p>Understanding of accounting, economics, college algebra and statistics is a must. <i>Students who feel weak in any of these areas may require additional preparation time for class and to complete assignments.</i></p> | |
| Course Student Learning Objectives: (CSLO) | |
| <i>Upon successful completion of this course, students should be able to:</i> | |
| Course Specific Skills: | |
| Students who complete this course should be able to: | |
| <ol style="list-style-type: none"> 1. Analyze financial statements of companies, evaluate their performance 2. Calculate present and future values of different kinds of cash flows 3. Find the intrinsic value of bonds and stocks 4. Discuss advantages and disadvantages of alternative investment criteria 5. Explain the main relationships between risk and return 6. Identify and describe different types of risks inherent in each investment 7. Understand the importance of diversification in portfolio management and its impact on portfolio risk 8. Calculate the cost of capital for a firm and a project 9. Discuss different views on capital structure | |
| Discipline Specific Skills: | |
| By the end of this course the students will be able to: | |
| <ol style="list-style-type: none"> 10. Know the basic concepts of finance, including the time value of money, the role of financial markets, asset valuation, portfolio theory, asset pricing, and the risk-return tradeoff; 11. Develop skills in financial analysis, planning, and decision-making; 12. Have awareness for institutions and practices in business and finance. | |
| Personal and Key Skills: | |
| <ol style="list-style-type: none"> 13. Develop problem solving skills 14. Develop writing and discussion skills | |
| This course is going to make use of formal lectures, in-class discussions, quizzes and problem solving. | |
| Required Reading: | |
| Ross, S. A., Westerfield, R. W., and Jordan, B. D. <i>Essentials of Corporate Finance</i> , 9 th Edition (International Edition), 2016, McGraw-Hill Global Edition. | |

Highly Recommended: Reading Financial Magazines and financial pages of daily newspapers on a regular basis. Topics and articles found in the current periodicals, as well as articles found on the internet, will be integrated into classroom discussions

Assessment and Grading:

| Form of Assessment | % Contribution | Size of the assessment | CSLOs covered by this assessment | Feedback Method |
|------------------------|----------------|------------------------|---|--|
| Interim Exam 1 | 20 | Essay-type examination | 1, 2, 10, 11, 12, 13, 14 | Written and oral (during office hours) |
| Interim Exam 2 | 20 | Essay-type examination | 2, 3, 10, 11, 12, 13, 14 | Written and oral (during office hours) |
| Interim Exam 3 | 20 | Essay-type examination | 4, 10, 11, 12, 13, 14 | Written and oral (during office hours) |
| Final | 20 | Essay-type examination | 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 | Written and oral (during office hours) |
| Homeworks (Total of 4) | 12 | Self-study hours | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 | Written and oral (during office hours) |
| Mini Essay Assignment | 8 | Self-study hours | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 | Written and oral (during office hours) |

No “extra” work above the aforementioned will be accepted or credited.

Important Note About Re-sit (Bütünleme) Exams: Please note that re-sit exams are no longer given at METU.

Incompletes: A grade of incomplete will not be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".

Course Policies:

Course Requirements: The students will be assigned readings from the textbook and are expected to come to class prepared and ready to take part in class discussions.

Attendance is strongly recommended in this class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform **significantly** better than students who have an intermittent attendance and/or who do not keep current in reading the chapters.

Exams: There will be three interim exams and a final exam in this course. These exams will be administered online in the evenings and will start at 18:30 unless otherwise stated. You will not be able to ask any questions during these exams. If two or more students who are taking this course either from section 1 or 2 are living in the same house, they have to let their instructors about this situation before the exams.

The formula sheets and the time value of money tables you can use during the exams are available in ODTUClass. Since you cannot access this material online during the exam, please make sure that you have a printed copy of them with you.

During the exams, you cannot consult your book, notes, any other material or your friends and other people. You can only use the time value of money tables and the formula sheet for that exam. You will write your answers to the questions on the exam on A4 paper, and then scan your answers into a single

file and upload it to ODTUClass. Please note that the time available for the exam will include both the time needed to answer the questions, and the time needed to scan the answers and to upload the file. Once the duration of the exam is over, you will not be able to submit your answer. Therefore, please make sure you leave ample time at the end to scan and submit your answer. I will **NOT** be accepting answers via email even if they are sent one minute after the exam link closes on ODTUClass.

These exams are the property of the instructors of this course. Therefore, you are not allowed to make a copy of these exams and share it with any one.

During the exams, as per our usual exam policy, you will be bound by the honor code. I expect you to behave with the utmost respect for yourself, for your classmates, and for me. This will be a true test of your character since, as Aldo Leopold (1887-1948) said,

“Ethical behavior is doing the right thing when no one else is watching”.

You will be asked to sign an honor code pledge before you start each exam as well. There will also be proctor in zoom during these exams, **therefore, you need to have your cameras on all the time.**

Please make a careful note of these examination and other due dates. These dates are fixed and non-negotiable. They will NOT be changed unless something *very important* and *unforeseeable* comes up during the term. For a schedule of these exams please consult the tentative course schedule provided at the end of this document.

Make-up Examinations: A comprehensive make-up exam will be given to those who missed an exam during the semester or who could not upload their answers to ODTUClass on time. If you have a valid excuse to miss an exam, please try to notify me in writing before the exam and obtain my permission for not taking the exam. Please make sure that you add all supporting documents to your letter. If you cannot notify me before the exam, then please try to do so as soon as possible after the exam in writing. You don't need to notify me if you could not upload your answers to ODTUClass on time for any of the exams. You will automatically become eligible to take the make-up exam. Date and time of this make-up exam will-be announced later.

Graded Homework Assignments: There will be four graded homework assignments, one before each interim exam, during the semester and one before the final exam. These homework assignments are designed to give you an idea about the type of questions you might see on the exams and give you a chance to work on some additional problems. Students are allowed to work in groups on these homework assignments however each student should turn in **his or her own work**. If you work in groups on these assignments, you need to list the names of people that you worked together **on the upper right-hand corner of the first page of your assignment.** For a schedule of these homeworks please consult the tentative course schedule provided at the end of this document. Solutions to these homework assignments will be posted on ODTU Class after they are discussed in the recitation hours that will be held on the due dates. **Late submission of solutions to homework assignments will not be accepted regardless of how late they are.**

Even though you are allowed to work in groups on these graded homework assignments, I strongly encourage students to try to solve the questions by themselves before getting together with their groups. Students who actually work the problems on graded homework assignments by themselves benefit from these assignments more than those who simply copy the answers of their groupmates.

Mini Essay Assignment: Students are required to write a short essay on a finance related topic. Detailed explanation about this assignment will be provided later in the semester. For a schedule of this assignment please consult the tentative course schedule provided at the end of this document.

Extra Study Materials: There are additional study materials posted on ODTUClass for each chapter. Students are strongly encouraged to work these problems by themselves before checking the solutions.

Reading Assignments: The following pages give the schedule for the reading assignments. The lectures will stress the most important and/or most difficult material.

Presentation Slides: A copy of the presentation slides is available at the course web page. These slides can be used as chapter summaries and utilized while taking down notes during class.

STUDENT DISABILITIES: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

ACADEMIC DISHONESTY: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BS/MBA degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

CHEATING: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty or the Graduate School of Social Sciences for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

PLAGIARISM: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately. Persons observed to plagiarize while preparing assignments will be referred to the Dean of the Faculty or the Graduate School of Social Sciences for additional disciplinary action and **also they will receive a score of zero for the portion of the semester grade that is allocated to such assignments.**

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

CIVILITY IN THE CLASSROOM: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

Students arrive on time. Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

Laptops, phones and wireless devices are turned off.

STUDENT EXCUSES: Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR!
<http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

Good luck to all of you and let's have a very enjoyable semester together!!

Don't be Trashy. **Recycle.**

Do not throw items away in the trash that should go into the recycling bin.

REDUCE, REUSE, RECYCLE!

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. The students are required to read the chapters before they are covered in class.

| Tentative Course Schedule | | | | |
|----------------------------------|------------|--|--------------------------------|--------------------------|
| Month | Day | Topic | Reading/ Assignment | CSLO |
| March | 7 | Introduction Introduction to Financial Management | Chapter 1 | 10, 11, 12 |
| | 9 | Working with Financial Statements | Chapter 3 | 1, 10, 11, 12, 13, 14 |
| | 14 | Working with Financial Statements (cont.'d) | Chapter 3 | 1, 10, 11, 12, 13, 14 |
| | 16 | Working with Financial Statements (cont.'d) | Chapter 3 | 1, 10, 11, 12, 13, 14 |
| | 21 | Introduction to Valuation: The Time Value of Money | Chapter 4 | 2, 10, 11, 12, 13, 14 |
| | 23 | Introduction to Valuation: The Time Value of Money | Chapter 4 | 2, 10, 11, 12, 13, 14 |
| | 28 | Discounted Cash Flow Valuation | Chapter 5 | 2, 10, 11, 12, 13, 14 |
| | 30 | Discounted Cash Flow Valuation (cont.'d) | Chapter 5 | 2, 10, 11, 12, 13, 14 |
| April | 4 | Discounted Cash Flow Valuation (cont.'d) | Chapter 5 | 2, 10, 11, 12, 13, 14 |
| April | 4 | First Graded Homework is due by 17:00 | | |
| | 6 | Interest Rates and Bond Valuation | Chapter 6 | 3, 10, 11, 12, 13, 14 |
| April | 7 | First Interim Exam at 18:30 (Chapters Included are 1, 3 and 4) | | |
| | 11 | Interest Rates and Bond Valuation (cont.'d) | Chapter 6 | 3, 10, 11, 12, 13, 14 |
| | 13 | Interest Rates and Bond Valuation (cont.'d) | Chapter 6 | 3, 10, 11, 12, 13, 14 |
| | 18 | Equity Markets and Stock Valuation | Chapter 7 | 3, 10, 11, 12, 13, 14 |
| April | 20 | No Class-Official Holiday | | |
| | 25 | Equity Markets and Stock Valuation (cont.'d) | Chapter 7 | 3, 10, 11, 12, 13, 14 |
| April | 25 | Second Graded Homework is due by 17:00 | | |
| | 27 | Net Present Value and Other Investment Criteria | Chapter 8 | 4, 10, 11, 12, 13, 14 |
| April | 28 | Second Interim Exam at 18:30 (Chapters Included are 5, 6 and 7) | | |
| April | 29 | Extra Lecture on Saturday at 10:40-11:55 Net Present Value and Other Investment Criteria (cont.'d) | Chapter 8 | 4, 10, 11, 12, 13, 14 |
| May | 2 | Making Capital Investment Decisions | Chapter 9 | 4, 10, 11, 12, 13, 14 |
| | 4 | Making Capital Investment Decisions (cont'd.) | Chapter 9 | 4, 10, 11, 12, 13, 14 |
| | 9 | Making Capital Investment Decisions (cont.'d) | Chapter 9 | 4, 10, 11, 12, 13, 14 |
| | 11 | Some Lessons from Capital Market History | Chapter 10 | 12, 14 |

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| | 16 | Risk and Return | Chapter 11 | 5, 6, 7, 10, 11, 12, 13, 14 |
| | 18 | Risk and Return (cont.'d) | Chapter 11 | 5, 6, 7, 10, 11, 12, 13, 14 |
| May | 17 | Third Graded Homework is due by 17:00 | | |
| May | 22 | Third Interim Exam at 18:30 (Chapters Included are 8, 9 and 10) | | |
| | 23 | Risk and Return (cont.'d) | Chapter 11 | 5, 6, 7, 10, 11, 12, 13, 14 |
| | 25 | Cost of Capital | Chapter 12 | 8, 10, 11, 12, 13, 14 |
| | 30 | Cost of Capital (cont.'d) | Chapter 12 | 8, 10, 11, 12, 13, 14 |
| June | 1 | Leverage and Capital Structure | Chapter 13 | 9, 10, 11, 12, 13, 14 |
| June | 2 | Mini-Essay Assignment is due by 17:00 | | |
| | 6 | Leverage and Capital Structure (cont.'d) | Chapter 13 | 9, 10, 11, 12, 13, 14 |
| June | 8 | Q & A | | |
| June | TBA | Fourth Graded Homework is due by 17:00 | | |
| June | TBA | Final Exam (Chapters Included are 11, 12, and 13) | | |