

BA 2802-Section 02 Principles of Finance

Class Schedule: Monday and Wednesday 12:40-13:55

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<b>Office Hours:</b>	Tuesday and Thursday 10:40-11:55
<b>Course Web Page:</b>	<a href="https://odtuclass.metu.edu.tr/">https://odtuclass.metu.edu.tr/</a> 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.
<b>Course Description:</b>	
<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>	
<b>Course Student Learning Objectives: (CSLO)</b>	
<i>Upon successful completion of this course, students should be able to:</i>	
<b>Course Specific Skills:</b>	
Students who complete this course should be able to:	
<ol style="list-style-type: none"> <li>1. Analyze financial statements of companies, evaluate their performance</li> <li>2. Calculate present and future values of different kinds of cash flows</li> <li>3. Find the intrinsic value of bonds and stocks</li> <li>4. Discuss advantages and disadvantages of alternative investment criteria</li> <li>5. Explain the main relationships between risk and return</li> <li>6. Identify and describe different types of risks inherent in each investment</li> <li>7. Understand the importance of diversification in portfolio management and its impact on portfolio risk</li> <li>8. Calculate the cost of capital for a firm and a project</li> <li>9. Discuss different views on capital structure</li> </ol>	
<b>Discipline Specific Skills:</b>	
By the end of this course the students will be able to:	
<ol style="list-style-type: none"> <li>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;</li> <li>11. Develop skills in financial analysis, planning, and decision-making;</li> <li>12. Have awareness for institutions and practices in business and finance.</li> </ol>	
<b>Personal and Key Skills:</b>	
<ol style="list-style-type: none"> <li>13. Develop problem solving skills</li> <li>14. Develop writing and discussion skills</li> </ol>	
This course is going to make use of formal lectures, in-class discussions, quizzes and problem solving.	
<b>Required Reading:</b>	
Ross, S. A., Westerfield, R. W., and Jordan, B. D. <u>Essentials of Corporate Finance</u> , 9 <sup>th</sup> 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	24	Essay-type examination	1, 2, 10, 11, 12, 13, 14	Written and oral (during office hours)
Interim Exam 2	24	Essay-type examination	3, 4, 10, 11, 12, 13, 14	Written and oral (during office hours)
Final	24	Essay-type examination	5, 6, 7, 8, 9, 10, 11, 12, 13, 14	Written and oral (during office hours)
Quiz	15	15-minute essay-single question examination during class 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)
Attendance and Class Participation	5	Class participation during regular lectures	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14	Oral (during class 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 two interim exams and a final in this lecture. The exams will be closed notes closed book basis. For a schedule of these exams please consult the tentative course schedule provided at the end of this document. Please make a careful note of these examination and other due dates. These dates will NOT be changed unless something *very important and unforeseeable* comes up during the term.

**Make-up Examinations:** All students who missed an exam with a valid reason during the semester will be asked to take a comprehensive exam that will be given during the period of final exams regardless of which exam they missed during the semester. Time of the make-up exam will be announced later. If you believe that you have an extreme reason 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. If I am convinced that you had an extreme reason, I will let you take a comprehensive make-up exam.

**Quizzes:** Unannounced quizzes will be given throughout the semester. These quizzes will be taken at the end of the class. You will have 10-15 minutes to complete the quiz. Each quiz will consist of material that is covered previously. The quiz material will neither be restricted to the material covered in the previous day's class nor exclude the material covered on the day of the quiz. **No make-up quizzes will be given.**

**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](mailto: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.

<b>Tentative Course Schedule</b>				
<b>Month</b>	<b>Day</b>	<b>Topic</b>	<b>Reading/Assignment</b>	<b>CSLO</b>
<b>February</b>	<b>19</b>	Introduction Introduction to Financial Management	Chapter 1	10, 11, 12
	21	Working with Financial Statements	Chapter 3	1, 10, 11, 12, 13, 14
	26	Working with Financial Statements (cont.'d)	Chapter 3	1, 10, 11, 12, 13, 14
	28	Working with Financial Statements (cont.'d)	Chapter 3	1, 10, 11, 12, 13, 14
<b>March</b>	<b>2</b>	<b>Extra Session: Saturday 11:45-13:00</b> Introduction to Valuation: The Time Value of Money	Chapter 4	2, 10, 11, 12, 13, 14
	4	Introduction to Valuation: The Time Value of Money	Chapter 4	2, 10, 11, 12, 13, 14
	6	Discounted Cash Flow Valuation	Chapter 5	2, 10, 11, 12, 13, 14
	11	Discounted Cash Flow Valuation (cont.'d)	Chapter 5	2, 10, 11, 12, 13, 14
	13	Discounted Cash Flow Valuation (cont.'d)	Chapter 5	2, 10, 11, 12, 13, 14
	18	Interest Rates and Bond Valuation	Chapter 6	3, 10, 11, 12, 13, 14
<b>March</b>	<b>18</b>	<b>First Recitation hour is due by 17:00</b>		
	20	Interest Rates and Bond Valuation (cont.'d)	Chapter 6	3, 10, 11, 12, 13, 14
<b>March</b>	<b>22</b>	<b>First Interim Exam at 18:30 (Chapters Included are 1, 3, 4 and 5)</b>		
	25	Interest Rates and Bond Valuation (cont.'d)	Chapter 6	3, 10, 11, 12, 13, 14
	27	Equity Markets and Stock Valuation	Chapter 7	3, 10, 11, 12, 13, 14
April	1	Equity Markets and Stock Valuation (cont.'d)	Chapter 7	3, 10, 11, 12, 13, 14
	3	Net Present Value and Other Investment Criteria	Chapter 8	4, 10, 11, 12, 13, 14
<b>April</b>	<b>8</b>	<b>No Classes</b>		
	15	Net Present Value and Other Investment Criteria (cont.'d)	Chapter 8	4, 10, 11, 12, 13, 14
	17	Making Capital Investment Decisions	Chapter 9	4, 10, 11, 12, 13, 14
	22	Making Capital Investment Decisions (cont'd.)	Chapter 9	4, 10, 11, 12, 13, 14
	24	Making Capital Investment Decisions (cont.'d)	Chapter 9	4, 10, 11, 12, 13, 14
	29	Some Lessons from Capital Market History	Chapter 10	12, 14
<b>May</b>	<b>1</b>	<b>No-Classes</b>		
<b>May</b>	<b>6</b>	Risk and Return	Chapter 11	5, 6, 7, 10, 11, 12, 13, 14
<b>May</b>	<b>6</b>	<b>Second Recitation Hour is due by 17:00</b>		

	8	Risk and Return (cont.'d)	Chapter 11	5, 6, 7, 10, 11, 12, 13, 14
<b>May</b>	<b>10</b>	<b>Second Interim Exam at 18:30 (Chapters Included are 6, 7, 8, and 9)</b>		
	13	Risk and Return (cont.'d)	Chapter 11	5, 6, 7, 10, 11, 12, 13, 14
	15	Cost of Capital	Chapter 12	8, 10, 11, 12, 13, 14
<b>May</b>	<b>16</b>	<b>Mini-Essay Assignment is due by 17:00</b>		
	20	Cost of Capital (cont.'d)	Chapter 12	8, 10, 11, 12, 13, 14
	22	Leverage and Capital Structure	Chapter 13	9, 10, 11, 12, 13, 14
	27	Leverage and Capital Structure (cont.'d)	Chapter 13	9, 10, 11, 12, 13, 14
<b>May</b>	<b>27</b>	<b>Third Recitation Hour is due by 17:00</b>		
<b>May</b>	<b>29</b>	Q & A		
<b>June</b>	<b>TBA</b>	<b>Final Exam (Chapters Included are 10, 11, 12, and 13)</b>		
<b>June</b>	<b>TBA</b>	<b>Comprehensive Make-up Exam</b>		