

BA 2802 – Principles of Finance

Synchronous Class Schedule: Monday and Wednesday at 10:45-12:00 **via zoom**

Instructor:	Dr. Z. Nuray Güner
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Office Hours:	Tuesday and Friday at 16:00-17:15 or by appointment via Zoom
Course Web Page:	https://odtuclass.metu.edu.tr/ Students are a natural member of ODTU Class. All the course material including student version of 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:

Students interested in concentrating in the field of finance should view this course as a critical foundation for their future studies. After taking finance elective courses, these students can 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 show how these techniques are applied in practice.

Understanding of accounting, economics, college algebra and statistics is a must. *Students who feel weak in any of these areas may require additional preparation time for class and to complete assignments.*

Course Student Learning Objectives: (CSLO)

Course Specific Skills:

Students who complete this course should be able to:

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:

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:

13. Develop problem solving skills
14. Develop writing and discussion skills

This course is going to make use of formal lectures, in-class discussions and problem solving.

Required Reading:

Required Textbook: Jordan, B. D., Westerfield, R. W. and Ross, S. A. Corporate Finance Essentials, 7th Edition, 2011, McGraw-Hill Global Edition.

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

Assessment and Grading:

Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by this assessment	Feedback Method
Interim Exams (3)	60	90-120 minutes essay-type examination	1, 2, 10, 11, 12, 13, 14	Written and oral (during office hours)
Final Exam	20	90-120 minutes essay-type examination	3, 4, 5, 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.

Student Pictures: Students are required to change their photos and upload a recent picture of themselves to the ODTUClass before class on Monday **March 20, 2023**. These pictures will help me learn the names of students and associate names with faces.

Interim 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 20:30 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 know 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 or any other material and your classmates or any other person. 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.

If we are allowed to have hybrid or the face to face education later in the term, these exams will be administered face to face in the classroom.

Make-Up Exam: 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 exam, during the semester. 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 graded homework assignments consult the tentative course schedule provided at the end of this document. Solutions to these homework assignments will be posted on ODTU Class after 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. This assignment is due on **June 2nd, 2023** at 17:00.

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. The students are required to read the chapters before they are covered in class.

Presentation Slides: The student version of the presentation slides are available in ODTUClass page of the course at the beginning of the semester. These slides can be used as chapter summaries and utilized while taking down notes during class. Please note that student version of the slides is not complete. Some points are left out in order to encourage students to take notes. After we complete the chapter, I'll share the version of the slides I use in 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 an online classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, students are expected to have their cameras on. Students are prohibited from making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in online 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.

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.

Notes:

- Usage of cell phones is strictly limited to course purposes during class. Please be courteous to your classmates and me and make sure that your phones are on silent mode before the class begins.
- You are encouraged to drop by my office during office hours for questions, concerns, or suggestions. Outside the office hours, please make an appointment with me in advance, before or after the class, via phone or e-mail. For quick questions that you may have, note that e-mailing is a very effective means of communicating with me.

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

Color Coded Tentative Class Schedule (subject to change)

Students Assignments and due dates are shown in **Blue**.

Exam dates are shown in **Purple**.

Additional Requirements are shown in **Hot Pink**.

Extraordinary events are shown in **Red**.

Color Coded Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
March	6	Introduction to Financial Management	Chapter 1	10, 11, 12
	8	Working with Financial Statements	Chapter 3	1, 10, 11, 12, 13, 14
	13	Working with Financial Statements (cont.'d)	Chapter 3	1, 10, 11, 12, 13, 14
	15	Working with Financial Statements (cont.'d)	Chapter 3	1, 10, 11, 12, 13, 14
	20	Student have to update their pictures in ODTUClass		
	20	Introduction to Valuation: The Time Value of Money	Chapter 4	2, 10, 11, 12, 13, 14
	22	Introduction to Valuation: The Time Value of Money (cont.'d)	Chapter 4	2, 10, 11, 12, 13, 14
	27	Discounted Cash Flow Valuation	Chapter 5	2, 10, 11, 12, 13, 14
	29	Discounted Cash Flow Valuation	Chapter 5	2, 10, 11, 12, 13, 14
April	3	Discounted Cash Flow Valuation (cont.'d)	Chapter 5	2, 10, 11, 12, 13, 14
	4	First Graded Homework is due by 17:00		
	5	Interest Rates and Bond Valuation	Chapter 6	3, 10, 11, 12, 13, 14
	7	First Interim Exam at 18:30 (Chps 1, 3 and 4)		
	10	Interest Rates and Bond Valuation (cont.'d)	Chapter 6	3, 10, 11, 12, 13, 14
	12	Interest Rates and Bond Valuation (cont.'d)	Chapter 6	3, 10, 11, 12, 13, 14
	17	Equity Markets and Stock Valuation	Chapter 7	3, 10, 11, 12, 13, 14
	19	Equity Markets and Stock Valuation (cont.'d)	Chapter 7	3, 10, 11, 12, 13, 14
	24	Net Present Value and Other Investment Criteria	Chapter 8	4, 10, 11, 12, 13, 14
	25	Second Graded Homework is due by 17:00		
	26	Net Present Value and Other Investment Criteria (cont.'d)	Chapter 8	4, 10, 11, 12, 13, 14
	28	Second Exam at 18:30 (Chps 5, 6 and 7)		
	29	Extra Session – Saturday from 10:15-11:30 Making Capital Investment Decisions	Chapter 9	4, 10, 11, 12, 13, 14
May	1	NO CLASS – Official Holiday		
	3	Making Capital Investment Decisions (cont.'d)	Chapter 9	4, 10, 11, 12, 13, 14
	8	Making Capital Investment Decisions (cont.'d)	Chapter 9	4, 10, 11, 12, 13, 14
	10	Some Lessons from Capital Market History	Chapter 10	12, 14

Color Coded Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
	15	Risk and Return	Chapter 11	5, 6, 7, 10, 11, 12, 13, 14
	17	Risk and Return (cont.'d)	Chapter 11	5, 6, 7, 10, 11, 12, 13, 14
	17	Third Graded Homework is due by 17:00		
	22	Risk and Return (cont.'d)	Chapter 11	5, 6, 7, 10, 11, 12, 13, 14
	22	Third Exam at 18:30 (Chps 8, 9 and 10)		
	24	Cost of Capital	Chapter 12	8, 10, 11, 12, 13, 14
	29	Cost of Capital (cont.'d)	Chapter 12	8, 10, 11, 12, 13, 14
	31	Leverage and Capital Structure	Chapter 13	9, 10, 11, 12, 13, 14
	2	Mini Essay Assignment is due by 17:00		
	5	Leverage and Capital Structure (cont.'d)	Chapter 13	9, 10, 11, 12, 13, 14
	7	Questions and Answers		
	TBA	Fourth Graded Homework is due by 17:00		
	TBA	Final Exam (Chps 11, 12 and 13)		

Don't be Trashy. Recycle.

**Do not throw items away in the trash that should go into the recycling bin.
Show a little class.**

**RECYCLING
WORKS**