

Professor Robert H. Patrick

Meets 6:10-9 P.M., Wednesdays, Lucy Stone Hall B105, Livingston Campus.

Offices and hours: Department of Finance and Economics, Janice H. Levin Building #129, Livingston Campus, Wednesdays 4:30-5:30 P.M.,
Department of Finance and Economics, Ackerson 312, Newark Campus, Tuesdays 4:30-5:30 P.M.,
and by appointment.

Phone: (732) 445-3234, but only during my Wednesday office hours (you will not be able to leave messages at this number). Otherwise: (973) 353-5247, you will be able to leave messages at this number, however, *communication by e-mail is preferred*.

E-mail: rpatrick@andromeda.rutgers.edu

web: <http://www.rci.rutgers.edu/~rpatrick/hp.html>

Text: *Financial Management and Policy*, 12th Edition, by James C. Van Horne, Prentice Hall, 2002, and other readings to be assigned.

The purpose of this course is to introduce you to finance, particularly application of the concepts of time value of money, risk, rates of return, and valuation in business decisions. Finance affects all parts of any business. Anyone involved in some management of a business needs some knowledge of business finance. The concepts can be applied to personal financial and investment decisions as well. This course will provide a systematic introduction and development of economics and finance methods to deal with answering the following questions:

- (1) What assets should the firm (or individual) invest in and how much should be invested?
- (2) How should investment funds be raised?

Question (1) is the firm's investment or capital budgeting decision, and question (2) is the firm's financing decision. Financial decisions affect both the size of the earnings stream (profitability) and the risks the firm faces in producing this income stream. The focus of this course will be on these real world questions and how economics and finance can be used to address these questions.

Prerequisites: principles of microeconomics, principles of macroeconomics, and introductory statistics.

Following is our anticipated schedule for the semester.

January 23	Introduction (Chapter 1) and overview of concepts in valuation
30	Concepts in valuation: time value of money (Chapter 2)
February 6	Concepts in valuation: long-term securities (Chapter 2)
13	Market Risks and Returns (Chapter 3)
20	Multivariable and Factor Valuation (Chapter 4)
27	Option Valuation (Chapter 5)
March 6	Review
13	Midterm Exam
27	Principles of Capital Investment (Chapter 6)
April 3	Risk and Real Options in Capital Budgeting (Chapter 7)
10	Creating Value Through Required Returns (Chapter 8)
17	Theory of Capital Structure (Chapter 9)
24	Making Capital Structure Decisions (Chapter 10)
May 1	Course Synthesis and Review
	Final Exam

A thorough understanding of the above topics should allow the student to successfully proceed to Corporate Finance and through the remainder of the text on their own. Other topics may be added depending upon available time and class interests.

Grades: There will be two exams, a midterm and a final. In general, the questions on the exam will reflect the amount of class time spent on the different chapters and topics, as well as material assigned for students to cover outside of class. Tests will make up 90% of your grade (40% for the midterm and 50% for the final). The final exam is cumulative. Periodic quizzes, worksheets, short analysis and writing problems, class attendance, and participation will make up the remaining 10%.

Since the exams are comprised primarily of multiple choice questions you will get no partial credit. This considerably lowers test scores from what they would be if partial credit were given. Thus, if you get 70% correct, this does not mean that you know only 70% of the material, you probably know a lot more. Therefore we curve the grades, ranking you relative to everyone else in the class. Only your curved grade is relevant in evaluating your grade for the course.

There can be NO makeup exams since your grades are based on a curve. If you have a valid written excuse for missing the midterm exam the final exam will then count for 90% of your grade

(recall the final is cumulative, so you are still responsible for all material in the course). If you have a valid excuse to miss the final exam you must make it up the following semester. In all cases, if you do not have a valid and independently written excuse you will receive a score of zero on the missed exam(s).

Some Potentially Interesting Web Pages (there are many given in your text, here are two additional examples):

<http://www.economist.com>

<http://www.FT.com>