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# FIN 602: Fundamentals of Finance

Syllabus, Spring 2020

**Instructor: Stefanos Delikouras**

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*course website:* FIN602 on Blackboard.

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## Class Meetings

- Sat (1/11, 1/18, 2/1, 2/8) 8:00 AM – 12:00 PM; Location: Stubblefield 508.
- Sat (25/1) 8:00 AM – 5:00 PM; Location: Stubblefield 508.
- Sat (1/13, 1/27, 2/3, 2/10) 6:30 PM – 10:00 PM; Location: Stubblefield 508.

## Textbooks

**Corporate Finance by Berk and DeMarzo (BDeM), Pearson, 4th Edition.**

## Office Hours

**Any Weekday 11:00 AM – 1:00 PM or By Appointment**

## TA Office Hours

**TA:** Shiyi Zhang; **Email:** [szhang@bus.miami.edu](mailto:szhang@bus.miami.edu)

**Office Hours:** By Appointment

**Location:** Finance Department Trading Room

## Course Objectives

This course is the introductory course in Finance for the PMBA program. The purpose of this course is to equip students with the fundamental tools and techniques essential for a financial manager or a general manager with good understanding of finance. This course is also designed to provide a foundation for subsequent coursework in investments, corporate finance, and valuation.

## **Covered Topics**

The primary focus of this course is financial valuation. We will first discuss the concept of present value in extensive detail. Next, we will apply the principles of valuation to value (a) investment projects and (b) financial securities (stocks and bonds). Since financial decision-making virtually always involves risk, we will then introduce the concept of risk from the perspective of modern portfolio theory. We will integrate our knowledge of cash flow valuation with our understanding of risk to modify valuation techniques in the presence of risk. The course will conclude with an introductory treatment of the effects of financing on capital budgeting decisions.

## **Honor Code**

All students must comply with the University of Miami and Miami Business School policies for conduct and academic honesty at all times during this course. Any violations of these policies will result in referral to the appropriate administrative body.

## **Special Accommodations**

If you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of the course, the assignments, and the in-class activities may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat information you provide as private and confidential. If you are planning to miss a lecture due to religious reasons you need to notify me within three days within the first three days of classes.

## **Smartphone, Tablet, and Laptop Use**

Smart-phones and tablets are strongly prohibited during exams. Smart-phones are also prohibited during lectures. The use of tablets and laptops during lectures is allowed provided that these devices are used for class-related material, e.g., taking notes, solving problems in Excel, and downloading financial data from the internet. Please note that during class, I reserve the right to ask you to turn these devices off.

## General Guidelines

- **Readings:** You are expected to complete the required readings **before** each class. The readings for each class include relevant sections from the textbook, lecture notes, and journal articles.
- **Lecture Notes:** Lecture notes will be posted on the course web site (Blackboard) **prior** to the lecture date.
- **Problem Sets:** There will be four group problem sets and an individual one. You need to upload your completed problem sets on Blackboard prior to the specified deadline. I will not accept problem sets submitted past the deadline.
- **Active Participation:** During lectures, I like to ask a lot of questions.

**Difficult Topics:** If you find certain sections of the course difficult, do not panic! I encourage you to discuss these topics with me, the TA, and/or your colleagues.

**Continuous Feedback:** I encourage you to give me feedback about course material, teaching style and anything else that would help you understand finance concepts better. You should come and talk to me in person if you have any concerns and/or suggestions.

## Examinations and Grading

- **Exams:** There will be **two** exams:
  - **Exam 1: Saturday, January 25th 2020.**
  - **Exam 2: Monday, February 10th 2020.**
  - I will be discussing what to expect in the exams during lectures.
  - Time permitting, I will also hold a review session before the exams.

Both Exams will take place in class, during regular class time. If you need to miss an Exam due to a health, family or professional emergency, we will need to reschedule a make-up exam outside regular class hours. In this case, you need to provide appropriate justification (e.g., proof of travel arrangements, doctor's note, etc.).

- **Grading Policy:**
  - Maximum Possible Score: **100**.
  - *Exam 1:* **30** points of your grade.
  - *Exam 2:* **30** points of your grade.
  - *Group Problem Sets:* **20 points**. There will be roughly four problem sets. For these problem sets, you will work in groups. I will assign the groups. You will get the full 30 points if you turn in **ALL** problem sets answered correctly in a clean and presentable way, showing considerable effort for **ALL** questions. Problem sets are the best way to practice for the exams.

- *Individual Assignment: 15 points.* There will be one individual assignment.
- *Case Study: 5 points.* There will be one case study assigned in groups.
- **Grade Distribution:** Your grades will be curved at the end of the course. Following the guidelines of the School of Business, the grade distribution will be curved so that the average grade is around **B**.
- **No Extra Credit Assignments:** There will not be any extra assignments designed to compensate for low grades in exams. This is a university-wide policy, and there will not be exceptions to this rule under any circumstances.
- **Use of Calculators and Laptops during Exams:** Each student is encouraged to have his or her own calculator or laptop to use during exams. **Sharing** of calculators and laptops during exams is **NOT** permitted.

## How to Study for the Class?

- Mainly focus on the lecture notes and problem sets.
- Read the BDeM textbook for background information and get a broader perspective on the topics covered in class.
- Use the problem sets to gain further understanding of the basic concepts. Some exam questions will be **similar** to the problem sets.
- To solve the problems in the problem sets and the exams you need to familiarize yourself with a scientific/financial calculator or Excel (PREFERRED).

## Tentative Topics - Important Dates

1. Introduction;  
*Suggested Readings:* Syllabus
2. Time Value of Money, 1/11/2020;  
*Suggested Readings:* BDeM, Chapter 4.
3. Valuation of Multiple Cash Flows, 1/13/2020;  
*Suggested Readings:* BDeM, Chapter 4.
4. Interest Rate Quotes, 1/13/2020;  
*Suggested Readings:* BDeM, Chapter 5.

5. Capital Budgeting Criteria, 1/18/2020;  
*Suggested Readings:* BDeM, Chapter 7.
6. Cash Flows and Investment Decisions, 1/18/2020;  
*Suggested Readings:* BDeM, Chapter 8. Group Problem Set 1 Due.
7. Bond Valuation, 1/25/2020;  
*Suggested Readings:* BDeM, Chapter 6. Group Problem Set 2 Due.
8. Stock Valuation, 1/25/2020;  
*Suggested Readings:* BDeM, Chapter 9.
9. **Midterm Exam: 1/25/2020, regular class hours, in class.**
10. Return, Risk, and Diversification, 1/27/2020;  
*Suggested Readings:* BDeM, Chapter 10.
11. Capital Asset Pricing Model, 2/1/2020;  
*Suggested Readings:* BDeM, Chapter 11. Individual Assignment Due.
12. Weighted Average Cost of Capital, 2/3/2020;  
*Suggested Readings:* BDeM, Chapter 12. Group Problem Set 3 Due.
13. Capital Structure, 2/8/2020;  
*Suggested Readings:* BDeM, Chapter 12.
14. Pioneer Petroleum Case, 2/10/2020; Group Problem Set 4 Due.
15. **Final Exam: 2/10/2020, regular class hours, in class.**

This is only a TENTATIVE list of topics and problem sets that I plan to cover during the semester. I may ADD or DELETE topics and problem sets from this list or MODIFY the corresponding problem set due dates and exam dates and times as the semester progresses. You are responsible for any changes I announce in class.