

## AGEC 424 Syllabus

### Financial Management of Agricultural Businesses

|                     |   |                            |
|---------------------|---|----------------------------|
| <b>INSTRUCTOR</b>   | Dr. Timothy G. Baker  | <b>OFFICE</b> Krannert 590 |
| <b>TELEPHONES</b>   | 49-44237 (office), 714-0426 (cell phone)  |                            |
| <b>E-MAIL</b>       | <a href="mailto:baker@purdue.edu">baker@purdue.edu</a> (Preferred communication is email – I might read a text if you send one.)  |                            |
| <b>SECRETARY</b>    | Linda Klotz, Krannert 565. E-mail: <a href="mailto:lrklotz@purdue.edu">lrklotz@purdue.edu</a>   |                            |
| <b>TEXTBOOK</b>     | You may use either the 4 <sup>th</sup> , 5 <sup>th</sup> , or 6 <sup>th</sup> editions of the text:<br>William R. Lasher, <u>Practical Financial Management</u> , 4 <sup>th</sup> Edition, 2005, South-Western, part of the Thomson Corp. ISBN 0-324-22150-9<br>William R. Lasher, <u>Practical Financial Management</u> , 5 <sup>th</sup> Edition ©2008<br>ISBN: 0324422636 ISBN13: 9780324422634<br>You do not need the CD or access code for a website that comes with the book. |                            |
| <b>CALCULATOR</b>   | HP-10bii or HP-10bii+ required (buy/order in the first week and you will have it by the time you need it)   |                            |
| <b>COURSE</b>       | 4 credits<br>Lectures: MWF 2:30 – 3:20 p.m. Krannert G016<br>Labs: W 3:30 - 5:20 p.m. Krannert G007<br>Th 10:30 - 12:20 p.m. SMTH 201<br>F 9:30 – 11:20 p.m. RAWL 2077  |                            |
| <b>PREREQUISITE</b> | MGMT 200 or equivalent  |                            |

#### COURSE DESCRIPTION AND OBJECTIVES

This course develops analytical and critical thinking skills in the core concepts of finance. It builds a foundation for other business courses. We will not focus on memorizing formulas or solving problems in a mechanical way. Instead, this course will stress problem solving skills that are above the rote level.

The course deals with the fundamental problem of financial management and control for corporate agribusiness firms. Emphasis will be placed on concepts including financial statement analysis, security markets, interest rates, risk analysis, time value of money, and evaluating stocks and bonds. Additionally, the course will cover how managers can help maximize their firm's value by improving decisions with working capital management, capital budgeting, and choice of capital structure.

#### EXAMS

There will be three "hour" exams and a two-hour comprehensive final exam. The exams will cover lecture material, lab problems, and homework assignments. Exams will emphasize problems taken from the homework, labs, and examples from lectures, but may also include true/false, multiple choice, and short answer questions as well. The first two exams are during lab periods on **February 8-10 and March 22-24** and you will be allowed to use the entire lab period if needed for the exam. The third hour exam is in class on **Monday April 17**. The final exam will be given during final exam week and the date will come out later in the semester. All exams will have the appropriate equations/formulas provided. This should reduce the need to memorize formulas.

#### YOUR GET OUT OF JAIL (FINAL) FREE CARD

If you have a 93.00% or better average, on the material at the end of dead week (including of

course the term project), then you get out of the final with an A for the course – and you will have my congratulations. In addition to the 93% you are required to continue attending class after the third exam and complete all remaining course assignments with acceptable quality work and maintain the 93% or better for all work in the semester. If you do a poor job on the term project, you will have to take the final. If you miss more than 5 classes, you have to take the final. I feel like I need to hold the 93% with few exceptions and it will be very unlikely that exceptions will be made if you do not have an A average on exams. The final is comprehensive and it is common for students who have not kept up with the material all semester to reduce their grade on the exam.

## **TERM PROJECT**

Students will work in teams (assigned in lab) to complete a detailed financial analysis of a corporation. Teams will present their reports in lab sessions at the end of the semester. The reports will be discussed throughout the semester. There is a term project page on the course website containing links to several documents of relevance to the project. I strongly suggest that you go to the website and read them. Deadlines to get you moving on the project are as follows:

- Turn in a statement of what company your group has selected on or before **Friday, January 27**. Include a tentative suggestion of data sources – I expect you to have actually looked for data to make sure data is available for the company you choose. If a group in your lab has already chosen a given company, you will have to choose another -- it is first come first serve.
- An outline of your analysis is due in lecture on **Friday February 10**.
- Presentations will be in Labs the last two weeks of the semester. If a group member has a conflict with one of the presentation days, let me know as soon as possible. After the presentation schedule is set, it is nearly impossible to change.
- A copy of your PowerPoint slides is due at your presentation. Print two slides per page.

All team members are expected to be full participants and present a portion of the project. Any team member who is particularly uncooperative risks getting a reduced grade for the assignment. Team members will evaluate each other's contributions in lab and to the term project. You will have about 20 minutes per team to present your project, and assuming 4 people per team this is 5 minutes per person. You are expected to use PowerPoint or other presentation software. See the term project link on the course website for more information on the project.

## **LABS AND QUIZZES**

The lab sessions will provide time for exercises, working example problems, and allow question-and-answer time. We will work some problem in teams in the labs and sometimes I will show you how to work problems. Attendance in labs is especially important.

There will be 20 or more quizzes in the lectures. These will generally be announced at one lecture or lab and the quiz will be in the following lecture period. I expect you to get the quiz question right; if you don't, you are behind. About 20% of your quiz scores (the lowest ones) will be dropped because there will not be makeup opportunities offered for missed quizzes. Again, if at quiz time you do not yet know how to do the question I've announced for the quiz, you are behind and it is a signal to you that you need to get caught up. I understand that many times students are afraid to ask about material that perhaps the majority of the class already understands. If you feel this way, I encourage you to ask in class anyway, but if you don't do that, please ask me in my office, in lab, after lecture, or via email – find a way to ask.

## HOMWORK AND COMPUTER ASSIGNMENTS

There are homework assignments from each chapter posted on the website. Check the website. I do not always give you many reminders about assignments, it is your responsibility to go to the website and stay up with the due dates. Late homework assignments will be penalized up to 20 percent for each day late, although reasonable excuses for late homework will be accepted. Because we use multiple editions of the book and some chapters have more than one assignment, please write the names for the assignments that I give you on the assignment pages. This will reduce confusion and errors as papers are being graded and recorded.

Spreadsheet problems will be assigned throughout the semester. Spreadsheet templates are provided on the course web site.

Files are available around campus and I will assign pretty much the same problems as last semester. I will not consider it cheating to look at a file to figure out what you need to do, or check your answer. However, I highly encourage you to figure out how to work the assignments rather than just copy from a file. Using the literal word document of the old key as your own, or copying it verbatim and handing that in as your work, is cheating (not to mention not very bright). It is pretty easy to tell when you used the previous key and just made some changes. Remember that homework questions are often the basis for exam questions, often word for word, so it is valuable to learn how to do the problems.

## ATTENDANCE

My expectation with respect to attendance is that every student will attend every class. This is also the University policy on attendance. It is my job to teach, and if you are not there, I cannot do my job. Fifteen percent of your grade is based on your attendance percentage. I plan to take attendance virtually every period with each class period, including labs, weighted equally. **There will be no excused absences.** Please note that if your attendance percentage is above your overall average, then I will not buy into the idea that the course attendance policy is responsible for reducing your grade.

We meet four times a week for 15 weeks giving a total of 60 classes. If I take attendance 50 or more times and you miss 5 or fewer classes, then you will have above 90% for your attendance score. This would be an A- for attendance. If you miss more than 10% of the class, your attendance score is unlikely to be the main factor keeping you from an A in the course. If you are highly concerned about this attendance policy, then it indicates to me that you are planning on missing a lot of class (let there be no doubt; missing 6 or more classes is missing a lot). **If you plan on missing more than 5 classes, then either reconsider your attendance plans or take a different Finance course.**

If you miss class for any reason, it is your responsibility to determine what we did in the class, listen to the BoilerCast (available on blackboard), figure out what you missed, and learn the material you would have learned in class. Don't forget about the extensive information posted on the website. It seems to me that a lot of students miss class and then just show up at the next class "assuming" that they did not miss anything "important." Do not hesitate to contact me if you have any questions about the material you have missed. Most of the handouts in lecture are on the lecture portion of the course website. Also, if there is a week in which you cannot attend your regular lab, you are welcome to attend one of the other labs. Lab handouts are linked on the lab portion of the website.

In past semesters attendance fell in spite of the obvious positive affect attendance has on your grade. When many students miss, it slows the whole class down because I have to repeat information more often. Also, the lack of knowledge created by missing many classes, creates an atmosphere of negativity that affects the whole class. So, I have added to the penalty for not attending class. After

otherwise determining your final grade with the weights given in this syllabus, I will reduce your grade one +/- step for the 6<sup>th</sup> class missed, and similarly for each additional 2 classes missed. For example, if your grade would otherwise be a C+ and you have missed 6 classes, then your grade will be reduced to a C; if you miss 8 classes, the C+ grade will be reduced to a C-, and so on.

Makeup Exams. If you are absent for an examination, I will allow you to take a make-up exam ONLY if you 1) tell me in person about missing the exam OR 2) notify me in by email, telling me the day that you will be missing and reason for your absence. You must notify me in advance if possible.

### RETURNING PAPERS

I return papers in containers with files for each student. In some semesters it is difficult to return papers in the lecture section if the class is large and if the lecture is in a building way across campus, and in this case, papers are returned once a week in the lab sections. If you want to check for graded papers between labs you are welcome to check with my secretary. Also, you may wish to keep a copy of papers you hand in close to exam times to compare with the key when it is posted and to study for the exam.

### PROFESSIONALISM

Written assignments should be legible and please remember to include your name. Sloppy work will be returned ungraded. Always put your name, original due date and the name of the assignment on materials you hand in. Electronic submission of assignments is accepted only in extenuating circumstances. Staple your papers.

### GRADES

Final grades will be based on a weighted-average of your scores in the following areas:

|              |     |
|--------------|-----|
| Hour Exams   | 40% |
| Final Exam   | 20% |
| Quizzes      | 05% |
| Term Project | 10% |
| Homework     | 10% |
| Attendance   | 15% |

I will grade on the following scale:

| Grade | Break point |
|-------|-------------|
| A+    | 98          |
| A     | 93          |
| A-    | 90          |
| B+    | 87          |
| B     | 83          |
| B-    | 80          |

| Grade | Break point |
|-------|-------------|
| C+    | 77          |
| C     | 73          |
| C-    | 70          |
| D+    | 67          |
| D     | 63          |
| D-    | 60          |

I reserve the right, on rare occasion, at my discretion to also consider less tangible contributions a student has made to the class when assigning the final grade. Possible grading exceptions: 1. If at the end of the semester you have missed 5 or more classes due to an extended illness, give me some proof and I will shift your attendance weight to hour exams. We will discuss the proof requirements on a case by case basis, but keeping a record of dates and doctor's notes would be helpful. 2. In the event of a major campus emergency, course requirements, deadlines, and grading percentages are subject to changes that may be necessitated by a revised semester calendar or other circumstances beyond the instructor's control.

## OFFICE HOURS

If you have questions, don't hesitate to visit my office or correspond via e-mail ([baker@purdue.edu](mailto:baker@purdue.edu)). You may drop in to my office at any time without an appointment and if it is possible, I will make time for you. You may find it best to schedule an appointment via e-mail. If you have questions and I am not in the office, try my cell phone (765)714-0426. Note the lab times for AGEC 424 at the top of the syllabus – I obviously will not be in my office during those times.

## COURSE WEB SITE

The course web site is: [AGEC 424 course website](http://www.agecon.purdue.edu/academic/agec424/index2.html).  
<http://www.agecon.purdue.edu/academic/agec424/index2.html>

The web site is full of important information about the course. Assignments are posted on the course website; usually the whole semester of due dates are available when the semester begins. The lecture slides will generally be posted prior to class (so you can print them and bring them to class). Material that I hand out in labs is posted on the website. Other information includes answer keys (including lots of old exam keys), grades, spreadsheet templates, term project information, course news, and previous exams. I expect you to visit the site often (perhaps daily) to keep up on course information.

## POLICIES

1. **Financial calculators are required.** Buy the HP 10Bii or HP 10Bii+. Bring your calculator to every class session after the first week. Financial calculators are needed for doing exercises in class.
2. **E-mail.** I will send numerous emails regarding issues that arise in the course and to tell you when things have been posted on the website. I expect you to check your @purdue email daily.
3. I will try to stick to the schedule; however, it may be necessary to make adjustments. I expect students to be ready for class at the scheduled time and we will start class on time. This policy avoids the problem of having people wander in late and not being able to pick up the discussion.
4. **Cell phones.** Cell phone use in class is not allowed. Don't be on the phone, text messaging, surfing the web, playing electronic games, or reading the Exponent during class (pay attention instead). Cell phone use during exams will be assumed to be cheating and treated as such.
5. Please be courteous and refrain from talking to each other in lecture because it prevents others from hearing.

## Special Needs

If you have a disability that requires academic adjustments, please make an appointment with me during the first week of class to discuss your needs. Please note that university policy requires all students with disabilities to be registered with [Purdue Disability Resource Center](#) before classroom accommodations can be provided.

## Campus Emergencies

In the event of a major campus emergency, course requirements, deadlines and grading percentages are subject to changes that may be necessitated by a revised semester calendar or other circumstances beyond the instructor's control. I will post such changes on the class web site and will send an email to your @purdue.edu account. **You are expected to read your @purdue.edu email on a frequent basis.**

## Academic Integrity

Please read the university guide to academic integrity: [Purdue academic integrity website](#).

- University policy on academic misconduct is clear - academic dishonesty in any form is strictly prohibited. A guide to academic integrity is provided by the Dean of Students office. As a student you should be familiar with it.
- Understand that in this class cheating will not be tolerated in any form. Students suspected of cheating will be dealt with on an individual basis. I am actively looking for cheaters on exams. If I catch you cheating on an exam, you will be dismissed from this class with a failing grade (F) and you will be reported to the Dean of Students Office for disciplinary action.
- If you are unsure whether an action you are considering constitutes academic dishonesty, seek clarification from your instructor.
- If I see a cell phone or PDA during an examination, you will be asked to leave the room and immediately given a grade of F for that exam.
- There are several situations in AGEC 424 where collaboration is not only allowed but encouraged. First, the problems in lab are done in teams -- you are obviously encouraged to work together. Second, the term project is a team project. And third, you may consult with other students on homework. See the homework section of this syllabus for comments on using files.

Course Outline: Chapter numbers are from the 5<sup>th</sup> edition of the textbook.

| Topic                                 | Textbook chapter                      | Comments                       |
|---------------------------------------|---------------------------------------|--------------------------------|
| Introduction                          | Chapter 1                             | First couple of lectures       |
| Accounting review                     | Chapter 2                             | Covered in the first lab       |
| Ratio Analysis                        | Chapter 3 and a little of Chapter 16  |                                |
| Additional Funds Needed               | AFN chapter on website                |                                |
| Breakeven, DOL, DFL, DTL              | Part of chapter 14                    |                                |
| Exam 1                                |                                       | Usually has the lowest grades  |
| Financial Markets and interest rates  | Chapter 5                             | Stock market historical slides |
| Time Value of Money                   | Chapter 6                             |                                |
| Bonds and Stocks                      | Chapters 7 and 8                      |                                |
| Risk and return                       | Chapter 9                             |                                |
| Exam 2                                |                                       | Covers more than it looks      |
| Capital budgeting techniques          | Chapter 10                            |                                |
| Capital budgeting                     | Chapter 11 and some of 12             |                                |
| Cost of capital and capital structure | Chapter 13 and the rest of chapter 14 |                                |
| Exam 3                                |                                       | 50 minute exam                 |
| Working Capital management            | Chapter 16                            |                                |