

AGEC 524

Agricultural Finance

Instructor:

Dr. Michael Langemeier
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Office Hours:

By appointment

Course Website:

The course website is available in Blackboard.

Credit and Class Meeting Time:

Students receive 3 hours of credit. The course meets on Tuesday and Thursday mornings from 7:30 to 8:45 am. The class meets in Rawls 1071.

Prerequisite:

The course assumes students have a finance background comparable to AGECE 424. Students without this background should be prepared to work extra hard.

Purpose:

The course provides students the concepts and tools needed to apply financial management principles to farm businesses. Topics include financial statements and analysis, capital budgeting, and risk and uncertainty.

Specific objectives include:

- 1) Prepare, interpret, and analyze financial statements used for agricultural businesses.
- 2) Analyze and suggest methods to improve the financial performance of agricultural businesses.
- 3) Evaluate capital investments using discounted cash flow methods.
- 4) Describe and analyze the risk and returns faced by agricultural businesses.

Course Reading List:

Selected readings will be distributed or posted throughout the semester. You are expected to use the handout and assigned reading materials. Most of the handouts supplement lectures. Thus, they are required readings.

Course Policies:

Weights used to assign a grade for the class will be as follows:

<u>Item</u>	<u>Percent</u>
Homework assignments	20
Quizzes	15
Hour exams (three)	45
Final exam (comprehensive)	20

Class Participation and Attendance Policy:

This course is highly dependent upon the student's full engagement and participation. The quality of your experience will depend upon the extent to which you challenge yourself to prepare and to make the most of the opportunities to interact during class.

Communication:

Please note that my primary out-of-class method of communication will be via e-mail to your Purdue e-mail address. I will not generally attempt to contact you at e-mail addresses other than your Purdue e-mail address. It is your responsibility to check for mail on a regular basis. I recommend checking your Purdue e-mail account at least once every 24 hours.

Special Needs:

If you have a disability that requires academic adjustments, please make an appointment to meet with me during the first week of classes to discuss your needs. Please note that university policy requires all students with disabilities to be registered with [Adaptive Programs](#) in the [Office of the Dean of Students](#) before classroom accommodations can be provided.

Academic Integrity:

University policy on academic dishonesty is clear: academic dishonesty in any form is strictly prohibited. Anyone found to be cheating or helping someone else cheat will be referred directly to the Dean of Students for disciplinary action. Penalties are severe and may include dismissal from the University. The risks associated with cheating far outweigh the perceived benefits. Academic dishonesty includes citing someone else's work as your own, using "cheat sheets" or sharing your answers with someone else. If you are unsure whether your planned action constitutes academic dishonesty, seek clarification from your instructor. Other information regarding your rights and responsibilities as a student is contained in the Purdue University [Code of Conduct](#). Writing assignments for this course will be checked for originality using the iThenticate software.

Campus Emergencies:

In the unusual 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. To get information about changes in this course visit the course home page, contact me by e-mail at mlangeme@purdue.edu, or call me at my office (494-9557).

To report an emergency, call 911. To obtain updates regarding an ongoing emergency, sign up for Purdue Alert text messages, view www.purdue.edu/ea. There are approximately 300 Emergency Telephones outdoors across campus and in parking garages that connect directly to the PUPD. If you feel threatened or need help, push the button and you will be connected immediately.

If we hear a fire alarm during class we will immediately suspend class, evacuate the building, and proceed outdoors. Do not use the elevator. If we are notified during class of a Shelter in Place requirement for a tornado warning, we will suspend class and shelter in the basement. If we are notified during class of a Shelter in Place requirement for a hazardous materials release, or a civil disturbance, including a shooting or other use of weapons, we will suspend class and shelter in the classroom, shutting the door and turning off the lights.

Please review the Emergency Preparedness website for additional information.

www.purdue.edu/ehps/emergency_preparedness/index.html

Outline of Topics for AGEC 524

Introduction

Current Financial Situation

Market Process Theory

Financial Statements and Analysis

Financial Statements

Financial Analysis

Financial Performance Persistence

Pro Forma Financial Statements

Enterprise Analysis

Capital Budgeting

Present Value

Future Value

Net Present Value

Internal Rate of Return

Annualized Cost

Risk and Uncertainty

Introduction

Sources of Risk

Risk Management Strategies

Scenario Analysis

Financial Risk

Probabilities

Whole-Farm Risk Models