AGEC $424$ Syllabus

FINANCIAL MANAGEMENT of AGRICULTURAL BUSINESSES

INSTRUCTOR  Dr. Timothy G. Baker
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SECRETARY  Marcy Halsema, Krannert 591
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TEXT  You may use either the 4th or 5th edition of the text. Information for both follows:

CALCULATOR  HP-10bII required (buy in the first couple of weeks, the HP-10bII is the financial calculator I recommend highly for this class)

COURSE  4 credits
Lectures: MWF 1:30–2:20 pm in Kran G016
Labs:  Th  8:30-10:20 am KRAN G007
       Th  11:30-1:20 pm Kran G007
       Th  1:30-3:20 pm Kran G002
       Fri.  8:30-10:20 pm RAWL 1071

Prerequisites: MGMT 200 or AGEC 311 or equivalent

COURSE DESCRIPTION AND OBJECTIVES

This course develops 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 thinking skills that are above the rote level.

The course deals with the fundamental problem of financial management and control for corporate agribusiness firms. Emphasis in the course 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 September 23/24 and October 28/29 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 November 22 (note that this is the Monday of Thanksgiving week).
We will have an optional early offering of the third exam on the evening of Thursday November 18 if it is of interest to some in the class. The final exam date will be given during final exam week.

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, as of the scores recorded thru Wednesday of the last week of class, 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 have to 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 there are any exceptions to the 93%, they will be based on exam grades.

**TERM PROJECT**

Students will work in teams (assigned in lab) to complete a detailed financial analysis of a specific firm. Teams will present their reports in lab sessions at the end of the semester. The reports will be discussed throughout the semester. Deadlines to get you moving on the project are as follows:

- Turn in a statement of what firm your group has selected on or before **Friday, September 17**. 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 class on **Friday October 8**.

- Presentations are scheduled for the Labs on **December 2/3 and 9/10**.

- A copy of your PowerPoint slides is due at your presentation.

  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. This semester I am going to experiment with team members evaluating each other; details will be forthcoming. You will have about 20 minutes per team, and assuming 4 people per team this is 5 minutes per person. You are expected to use PowerPoint. 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 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 10 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. Your lowest two quiz scores will be dropped because there will not be makeup opportunities offered for missed quizzes.

**HOMEWORK AND COMPUTER ASSIGNMENTS**
There will be homework assignments from each chapter. Late homework assignments will be penalized 20 percent for each day late; reasonable excuses for late homework will be accepted.

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 year. I highly encourage you to choose to figure out how to work the assignments rather than copy from a file. I will not consider it cheating to look at a file to check your answer, but remember that homework questions are often the basis for exam questions, often verbatim.

**ATTENDANCE**

My expectation with respect to attendance is that every student will attend every class. This is also the University policy on attendance. Fifteen percent of your grade is based on your attendance score. I plan to take attendance virtually every period with each class period including labs weighted equally. **There will be no excused absences.**

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 5 or more classes is missing a lot). **If you plan on missing more than 5 classes, then either reconsider your attendance plans or find another course.**

If you miss class for any reason, it is your responsibility to find out about any missed work and complete it. Do not hesitate to contact me if you have any questions about what you have missed.

**PROFESSIONALISM**

Written assignments should be legible. 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 allowed only in extenuating circumstances.

**GRADES**

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

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

I will grade on the following scale:
<table>
<thead>
<tr>
<th>Grade</th>
<th>Break point</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>93</td>
</tr>
<tr>
<td>A-</td>
<td>90</td>
</tr>
<tr>
<td>B+</td>
<td>87</td>
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<tr>
<td>B</td>
<td>83</td>
</tr>
<tr>
<td>B-</td>
<td>80</td>
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<tr>
<td>C+</td>
<td>77</td>
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<tr>
<td>C</td>
<td>73</td>
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<td>67</td>
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<tr>
<td>D</td>
<td>63</td>
</tr>
<tr>
<td>D-</td>
<td>60</td>
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</tbody>
</table>

Possible grading exceptions: 1. If at the end of the semester you have missed 5 or more classes due to illness, give me some proof and I will shift your attendance weight to hour exams. We will discuss 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.

RETURNING PAPERS

I return papers by carrying 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 the lecture in a building 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.

OFFICE HOURS

If you have questions, don't hesitate to visit my office or correspond via e-mail (baker@purdue.edu). I check my e-mail many times most days. You may drop in to my office without an appointment and if it is possible, I will make time for you. You may also schedule an appointment via e-mail or by calling me (numbers at the top). If you have questions and I am not in the office, try my cell phone (765)714-0426. Due to parenting obligations I am often gone from the office by 4:00 p.m.

COURSE WEB SITE

The course web site is: http://www.agecon.purdue.edu/academic/agec424/index2.html

The web site will focus on communications. Assignments will be posted the course website. The lecture slides will generally be posted prior to class (so you can print them and bring them to class). Other information includes answer 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 communications.
POLICIES

1. **Financial calculators are required.** I highly recommend the HP10-BII. 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. **Class attendance.** I expect you to attend all classes and part of your grade is based on attendance.

4. I will try to stick to the schedule; however, it may be necessary to make adjustments.

5. 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.

6. I use homework problems, lab questions, and lecture examples for the exams.

7. **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.

8. Go to the course web site and read the university policy on academic honesty.

9. In the fall semester the class can be large. 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 Adaptive Programs in the Office of the Dean of Students before classroom accommodations can be provided.

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. Information about ongoing on-campus emergencies will be posted at [http://www.purdue.edu](http://www.purdue.edu). Local news is available at [http://www.wlfi.com](http://www.wlfi.com) and [http://www.jconline.com](http://www.jconline.com). Cell phone emergency text messages will be sent to those signed up for them. You can register for this university service at [http://www.purdue.edu/securepurdue/](http://www.purdue.edu/securepurdue/).

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 are contained in the university's code of conduct.
Course Outline: Chapter numbers are from the 4th edition of the textbook.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Textbook chapter</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Chapter 1</td>
<td>First couple of lectures</td>
</tr>
<tr>
<td>Accounting review</td>
<td>Chapter 2</td>
<td>Covered in the first lab</td>
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<tr>
<td>Ratio Analysis</td>
<td>Chapter 3 and a little of Chapter 15</td>
<td></td>
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<tr>
<td>Additional Funds Needed</td>
<td>AFN chapter on website</td>
<td></td>
</tr>
<tr>
<td>Breakeven, DOL, DFL, DTL</td>
<td>Part of chapter 13</td>
<td></td>
</tr>
<tr>
<td>Exam 1</td>
<td></td>
<td>Usually has the lowest grades</td>
</tr>
<tr>
<td>Financial Markets and interest rates</td>
<td>Chapter 4</td>
<td>Stock market historical slides</td>
</tr>
<tr>
<td>Time Value of Money</td>
<td>Chapter 5</td>
<td></td>
</tr>
<tr>
<td>Bonds and Stocks</td>
<td>Chapters 6 and 7</td>
<td></td>
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<tr>
<td>Risk and return</td>
<td>Chapter 8</td>
<td></td>
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<tr>
<td>Exam 2</td>
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<td>Covers more than it looks</td>
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<tr>
<td>Capital budgeting techniques</td>
<td>Chapter 9</td>
<td></td>
</tr>
<tr>
<td>Capital budgeting</td>
<td>Chapter 10 and some of 11</td>
<td></td>
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<tr>
<td>Cost of capital and capital structure</td>
<td>Chapter 12 and the rest of chapter 13</td>
<td></td>
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<tr>
<td>Exam 3</td>
<td></td>
<td>50 minute exam</td>
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<tr>
<td>Working Capital management</td>
<td>Chapter 15</td>
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