

Business Certificate Program

BUSI PS5001: Introduction to Finance

Mondays, 8:10PM – 10:00PM

3 credits

Instructor: Christakis (Chris) Droussiotis, cd3081@columbia.edu, (908) 930-4725 (Voice /text)
Instructor's Web: www.ProfessorDrou.com
Office Hours: 7:00pm-8:00pm (Mondays) by Appointment
Response Policy: I intend to log onto the course and check email daily. You should expect a response from me within 24 hours. If you have an urgent question or concern, please contact me via text message or telephone

Course Overview

This course is designed to provide practitioners and those seeking careers in finance with a rigorous combination of theory and practice as we explore the fundamental principles of finance. Students currently employed in this dynamic and evolving field will have the opportunity to become familiar with many of the core principles and concepts commonly applied in their field daily. From a practical perspective, Introduction to Finance is meant to reinforce work-related practices, such as analyzing financial statements, the application of time value of money concepts, asset valuation on a discounted cash flow (DCF) basis, cost benefit analysis (CBA), and the quantification of the multifaceted relationship between risk and return in financial markets.

Through this course, students wishing to enter diverse areas of finance, such as asset management, credit analysis, financial and investment analysis, portfolio management, and risk management, will have the opportunity to acquire and develop critical work-related skills. These include evaluating corporate performance based on a thorough analysis of financial statements, estimating the present and future values of a wide range of cash flows, and using these concepts as the basis for asset valuation, applying commonly used cost-benefit analysis methods to evaluate investment decisions, and estimating the risk and return of individual securities and diversified portfolios.

The topics covered in this course provide students with the necessary background and preparation to take more advanced courses in finance.

Learning Objectives (LO)

Upon successful completion of this course, you will be able to:

1. Identify the basic types of financial management decisions and the role of the financial manager.
2. Describe the principal characteristics of the different forms of business organization.
3. Classify the core components of the three (3) principal financial statements: the balance sheet, the income statement, and the statement of cash flows.
4. Describe the applications and uses of common-size financial statement analysis.
5. Identify commonly-used financial ratios to measure a firm's financial performance.
6. Apply the principal time value of money (TVM) concepts used in financial analysis and valuation.
7. Determine the value of debt and equity securities using discounted cash flow methods (DCF) and alternative valuation techniques.
8. Apply the Net Present Value (NPV) method and alternative decision rules such as the Internal Rate of Return (IRR) and the Payback Method to evaluate investment projects.
9. Analyze the tradeoffs between risk and return in capital markets.
10. Estimate the risk-return tradeoff for diversified investment portfolios by applying the fundamental principles of portfolio theory.

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Readings

Textbook

Ross, Westerfield, and Jordan. (2012) *Fundamentals of Corporate Finance*, 12th Edition. McGraw-Hill Irwin. ISBN 978-1-259-91895-7

Supplemental Readings

I will post supplementary articles, business cases, and Power Point Lecture Notes on my website www.ProfessorDrou.com and our Canvas course site on a regular basis.

Recommended Textbooks

The following two texts are highly recommended but not required for the course:

Fabozzi, F., & Modigliani, F. (2009). *Capital Markets: Institutions and Instruments*, 4th Edition. Pearson/Prentice Hall. ISBN: 10 0136026028.

Brigham, E. F., & Houston, J. F. (2010). *Fundamentals of Financial Management*, 12th Edition. Thompson/Southwestern. ISBN: 10 0-324-59770-3

Financial Calculators

Given the scope and nature of Introduction to Finance, students are strongly recommended to obtain a financial calculator, such as: HP-10BII or Texas Instruments (TI) BAII.

Chapters 4 and 6 in your textbook include an appendix that shows how to use both of these financial calculators to perform present value and future value calculations and to solve for the rate of return.

Excel

In addition, students are encouraged to use Excel to perform the analytical calculations discussed in the course. Most of the lectures will include spreadsheet analysis.

Resources

Columbia University Library

Columbia's extensive library system ranks in the top five academic libraries in the nation, with many of its services and resources available online: <http://library.columbia.edu/>.

SPS Academic Resources

The Office of Student Affairs provides students with academic counseling and support services such as online tutoring and career coaching: <http://sps.columbia.edu/student-life-and-alumni-relations/academic-resources>

Columbia University Information Technology

[Columbia University Information Technology](http://columbia.uit.edu/) (CUIT) provides Columbia University students, faculty, and staff with central computing and communications services. Students, faculty, and staff may access University-provided discounted software downloads (<https://columbiait.onthehub.com/>).

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Course Requirements (Assignments)

Graded Homework Problems (25%):

Graded Homework Problems give you an opportunity to demonstrate your mastery of the topics covered in the course and solidify your knowledge of finance theory through the practical application of the concepts, models, and theories, discussed in class. Students are required to submit a set of Graded Homework Problems for each chapter through the McGraw Hill publishing CONNECT. Please note that CONNECT is set-up to adjust lower points for Late submissions. You can access the homework assignments from the Instructor's Website www.ProfessorDrou.com and/or Canvas. Each Graded Homework Problems set will include between 5 and 10 exercises from the end of each of the assigned chapters from the textbook.

Midterm Exam (25%):

The Midterm Exam will cover chapters 1-5 including financial analysis statements, ratio analysis, projections and corporate valuation sections. The students need to study the various spreadsheet analysis covered in class including the Celerity Technology Company case study; the Alexandria Hotel WACC analysis and Hyatt Corporation enterprise valuation methods. The exam will be closed books and notes taken in class (check the date on the website www.ProfessorDrou.com and Canvas).

Final Exam (35%):

The Final Exam will include some of the concepts from the midterm including valuation for private and publicly traded companies. Most of the exam though will focus on chapters 6-16. The students need to study spreadsheets analysis covered in class including the Alexandria Hotel projections and DCF analysis, Hyatt stock valuation, LBO and Capital Markets financial model, and Return and bond analytics spreadsheet. The exam will be taken during the Exam Period. It will be opened books and notes taken in the computer lab (on-line) (check the date on the website www.ProfessorDrou.com and Canvas).

Class Participation & Attendance (15%):

Attendance is mandatory. Please let the instructor know that you won't be able to attend class. The Instructor encourages class participation especially when reading assignments are given the week before.

Evaluation/Grading

The final grade will be calculated as described below:

FINAL GRADING SCALE

Grade	Percentage
A+	98–100 %
A	93–97.9 %
A-	90–92.9 %
B+	87–89.9 %
B	83–86.9 %
B-	80–82.9 %
C+	77–79.9 %
C	73–76.9 %
C-	70–72.9 %
D	60–69.9 %
F	59.9% and below

ASSIGNMENT	% Weight
Mid-term Exam	25%
Final Exam	35%
Graded Homework	25%
Participation & Attendance	15%

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Course Policies

I expect you to come to class on time and thoroughly prepared. I will keep track of attendance and look forward to an interesting, lively and confidential discussion. If you miss an experience in class, you miss an important learning moment and the class misses your contribution. More than one absence will affect your grade.

Late work

There will be no credit granted to any written assignment that is not submitted on the due date noted in the course syllabus without advance notice and permission from the instructor.

School Policies

Copyright Policy

Please note—Due to copyright restrictions, online access to this material is limited to instructors and students currently registered for this course. Please be advised that by clicking the link to the electronic materials in this course, you have read and accept the following:

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials. Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be "used for any purpose other than private study, scholarship, or research." If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement.

Academic Integrity

Columbia University expects its students to act with honesty and propriety at all times and to respect the rights of others. It is fundamental University policy that academic dishonesty in any guise or personal conduct of any sort that disrupts the life of the University or denigrates or endangers members of the University community is unacceptable and will be dealt with severely. It is essential to the academic integrity and vitality of this community that individuals do their own work and properly acknowledge the circumstances, ideas, sources, and assistance upon which that work is based. Academic honesty in class assignments and exams is expected of all students at all times.

SPS holds each member of its community responsible for understanding and abiding by the SPS Academic Integrity and Community Standards posted at <http://sps.columbia.edu/student-life-and-alumni-relations/academic-integrity-and-community-standards>. You are required to read these standards within the first few days of class. Ignorance of the School's policy concerning academic dishonesty shall not be a defense in any disciplinary proceedings.

Accessibility

Columbia is committed to providing equal access to qualified students with documented disabilities. A student's disability status and reasonable accommodations are individually determined based upon disability documentation and related information gathered through the intake process. For more information regarding this service, please visit the University's Health Services website: <https://health.columbia.edu/services/ods/support>.

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Course Schedule/Course Calendar

Please check the website www.ProfessorDrou.com or Canvas for schedule updates:

Week	Date	LO	Chapter	Lecture	Assignments
1.	1/28	L1, L2	Chapter 1: Introduction to Corporate Finance	<ul style="list-style-type: none"> • Read Course Syllabus. • Complete “Getting to Know You” forum. <p><u>LECTURE 1 – NOTES</u></p> <ul style="list-style-type: none"> • Introductory Finance Concepts • Value Creation and the Role of Financial Manager 	
2.	2/4	L3	Chapter 2: Financial Statements, Taxes and Cash Flow	<p><u>LECTURE 2 – NOTES</u></p> <ul style="list-style-type: none"> • Understanding Financial Statements. • Building a Cash Flow Statement (Instructor will provide a handout) • CASE STUDY: Celerity Tech Inc. 	Homework 1: (CONNECT) Chapter 1
3.	2/11	L4, L5	Chapter 2 - 3: Financial Statements, Taxes, and Cash Flows	<p><u>LECTURE 2 – NOTES (Cont’)</u></p> <ul style="list-style-type: none"> • Working Capital Management • Ratio Analysis • CASE STUDY: Celerity Tech Inc. 	Homework 2: (CONNECT) Chapter 2
4.	2/18	L5	Chapter 4: Projections – Basic Approach to planning	<p><u>LECTURE 3 – NOTES</u></p> <ul style="list-style-type: none"> • Long-Term Financial Planning and Growth • LCASE STUDY: Colorado Dental 	Homework 3 (CONNECT) Chapter 3
5	2/25	L6	Chapter 4 & 11: And Instructors Notes: Projections – Capital Market’s Study	<p><u>LECTURE 3 – NOTES (Cont’)</u></p> <ul style="list-style-type: none"> • Projections and What-If Scenarios • CASE STUDY: Alexandria Hotel • Exam Review 	
6	3/4			MIDTERM EXAM	
7.	3/11	L7	Chapter 5: Introduction to Valuation: Public Company Valuation Methods	<p><u>LECTURE 4 – NOTES</u></p> <ul style="list-style-type: none"> • Introduction to Valuation: The Value of Money • Publicly traded Company Valuation approach – 6 methods • CASE STUDY: Hyatt Hotels 	Homework 4 (CONNECT) Chapter 4

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Week	Date	LO	Chapter	Lecture	Assignments	
	3/18	SPRING RECESS				
8.	3/25	L7	Chapter 6: Discounted Cash Flow (DCF) Valuation	<u>LECTURE 4 (Continue) – NOTES</u> <ul style="list-style-type: none"> DCF approach Private Company Valuation CASE STUDY: Alexandria Hotel 		
9	4/1	L8	Chapter 7: Interest Rates and Bond Valuation – Part I: Bond Characteristics and Yields	<u>LECTURE 5 – NOTES</u> <ul style="list-style-type: none"> Corporate Bonds and Valuation 	Homework 5 CONNECT Chapter 6	
10	4/8	L8	Chapter 7: Interest Rates and Bond Valuation – Part II: Bond Valuation, Ratings, and Risks.	<u>LECTURE 5 (Continue) – NOTES</u> <ul style="list-style-type: none"> Corporate Bonds and Valuation (Continued) 	Homework 6 CONNECT Chapter 7	
11.	4/15	L8	Chapter 8: Stock Valuation	<u>LECTURE 6 – NOTES</u> <ul style="list-style-type: none"> Stock Valuation The Analyst Approach CASE STUDY: AK Steel 		
13.	4/22	L9	Chapter 9: Net Present Value and Other Investment Criteria	<u>LECTURE 7 – NOTES</u> <ul style="list-style-type: none"> Risk/Return Concepts 	Homework 7 CONNECT Chapter 8	
14.	4/29	L9	Chapter 12: Some Lessons from Capital Markets	<u>LECTURE 7 – NOTES</u> <ul style="list-style-type: none"> Accessing Capital Markets LBO case Study Debt Markets (Debt Capacity) Equity Markets CASE STUDY: AK Steel 	Homework 8 CONNECT Chapter 9	
15	5/6	L9	Portfolio Analysis Concepts	<u>LECTURE 8 – NOTES</u> <ul style="list-style-type: none"> Historical and Scenario Analysis, to measure Risk, Return, standard deviation and benefits of diversification <ul style="list-style-type: none"> Final Exam Review 		
16.	5/13	FINAL EXAM				