

FINA 6100

Fall, 2019

Wednesdays, 6:30 to 9:20 pm.

Room: BLB 250

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Office Hours:

Wed., 10:30 to 11:30 AM,

5:30 to 6:15 PM,

and by appointment.

(No office hours during finals week)

Course Title: Theory of Financial Decisions

Required Text: Financial Theory and Corporate Policy by Copeland, Weston and Shastri, 4th ed.

Course Prerequisites:

Prerequisites include FINA 5310 or equivalent, a basic understanding of calculus, matrix algebra, and micro economics.

Course Description: The primary area of study is valuation and corporate financial policy. We start with a look at the use of utility theory and state preference theory for valuation and portfolio selection. We then look at the risk-return tradeoffs in portfolio selection. These are then used to develop market equilibrium models such as the CAPM and the APT. Next we look at the pricing of options. Finally we look at corporate capital structure policy.

Course Objectives:

The central objective of the course is to build a foundation in the theory of finance. This is a required course for finance doctoral students.

Homework:

Homework consists of problems from the text and elsewhere. I do not grade homework. However your success on the exams depends on your ability to do homework problems. I go over most of the homework problems in class.

Attendance Policy: I advise you to attend class regularly. I do not alter your grade based upon attendance. However, I may drop students for poor attendance. Also, in all of my classes there has been a high correlation between poor attendance and poor grades.

Exams: There are three exams. The first exam is worth 30% of your grade, the second exam is worth 30% of your grade and the final exam is worth 40% of your grade. The final exam is not comprehensive. Please make your travel arrangements carefully as exams are allowed on only the scheduled exam dates and there are no makeup exams. I will, however, allow a student who is unable to take one of the first two exams to take a special final. This will be a longer exam (requiring more time) covering the entire course. In this case the final will count for 70% of the overall grade.

Grades

A, 90 - 100; B, 80 - 89; C, 70 - 79; D, 60 - 69; F, 0 - 59.

Course grades are posted by the registrar on my.unt.edu.

Emergency Evacuation Procedures for Business Leadership Building:

Severe Weather: In the event of severe weather, all building occupants should immediately seek shelter in the designated shelter-in-place area in the building. If unable to safely move to the designated shelter-in-place area, seek shelter in a windowless interior room or hallway on the lowest floor of the building. All building occupants should take shelter in rooms 055, 070, 090, and the restrooms on the basement level or in rooms 170, 155, and restrooms 122, 182 or 183 on the first floor.

Bomb Threat/Fire: In the event of a bomb threat or fire in the building, all building occupants should immediately evacuate the building using the nearest exit. Once outside, proceed to the designated assembly area. If unable to safely move to the designated assembly area, contact one or more members of your department or unit to let them know you are safe and inform them of your whereabouts. Persons with mobility impairments who are unable to safely exit the building should move to a designated area of refuge and await assistance from emergency responders. All building occupants should immediately evacuate the building and proceed to the south side of Crumley Hall in the grassy area, west of parking lot 24.

Notice for students with disabilities

The University of North Texas is on record as being committed to both the spirit and letter of federal equal opportunity legislation; reference Public Law 92-112 – The Rehabilitation Act of 1973 as amended. With the passage of new federal legislation entitled Americans with Disabilities Act (ADA), pursuant to section 504 of the Rehabilitation Act, there is renewed focus on providing this population with the same opportunities enjoyed by all citizens.

As a faculty member, I am required by law to provide "reasonable accommodations" to students with disabilities, so as not to discriminate on the basis of that disability. Student responsibility primarily rests with informing faculty of their need for accommodation and in providing authorized documentation through designated administrative channels. Information regarding specific diagnostic criteria and policies for obtaining academic accommodations can be found at <http://www.unt.edu/oda/apply/index.html>. Also, you may visit the Office of Disability Accommodation in the University Union (room 321) or call them at (940) 565-4323. If you need an accommodation, please contact me as soon as possible but at the latest by the second week of class.

Academic dishonesty

Academic dishonesty is defined in the UNT Policy on Student Standards for Academic Integrity. Any suspected case of Academic Dishonesty will be handled in accordance with University policy and procedures. Possible academic penalties include a grade of "F" in the course. You will find the policy and procedures at <http://vpaa.unt.edu/academic-integrity.htm>

Student Perceptions of Teaching (SPOT)

The Student Perceptions of Teaching (SPOT) is a requirement for all organized classes at UNT. This short survey will be made available to you at the end of the semester, providing you a chance to comment on how this class is taught. Your comments are an essential input in the process of continuous teaching improvement. So, please participate. The administration of the SPOT will begin a few weeks before the end of the semester and remain open for about two weeks.

Eagle Connect Account:

All students should activate and regularly check their Eagle Connect (e-mail) account. You may obtain information about Eagle Connect at <https://eagleconnect.unt.edu/>.

Course Outline: A tentative course outline is given below.

	<u>Topic</u>	<u>Chapter in text</u>
Aug. 28	Utility Theory	Ch. 3
Sep. 4	State Preference Theory	Ch. 4
Sep. 11	State Preference Theory, continued	Ch. 4
Sep. 18	Review	
Sep. 25	Exam 1	
Oct. 2	Mean-Variance Portfolio Selection	Ch. 5
Oct. 9	CAPM and APT	Ch. 6
Oct. 16	CAPM and APT, continued	Ch. 6
Oct. 23	Review	
Oct. 30	Exam 2	
Nov. 6	Option Pricing	Ch. 7
Nov. 13	Term Structure, Forward Contracts and Futures	Ch. 8
Nov. 20	Real Options	Ch. 9
Nov. 27	Out of class assignment, no class meeting	
Dec. 4	Review	
Dec. 11	Final Exam	