COURSE DESCRIPTION
This course teaches you to apply basic financial analysis tools to make investment and financial decisions. The philosophy of the instruction is to “Free Your Mind”. Students are encouraged to actively learn, not passively receive and memorize recycled information. Students are expected to be able to handle problems that they don’t see in class by using the skills they learn in class.

The chief objectives of the course are:

- To understand financial and operational information from financial statement analysis
- To study basic concepts/tools of financial analysis including time value of money and risk and return.
- To help you understand how to value financial assets.

COURSE MATERIALS
- Calculator: A financial calculator is required for this course. The model is the Texas Instruments Business Analyst II plus. There is no sharing of calculators during the exam.
- Suggested Reading: The Wall Street Journal (WSJ), Yahoo Finance

GRADING

<table>
<thead>
<tr>
<th>Category</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homework</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm Exams</td>
<td>40% (20% each)</td>
</tr>
<tr>
<td>Final Exam</td>
<td>50%</td>
</tr>
<tr>
<td>Extra Credit Project (Stock Analysis)</td>
<td>4%</td>
</tr>
</tbody>
</table>

Scale

- A = 90 – 100
- B = 80 – 89.9
- C = 70 – 79.9
- D = 60 – 69.9
- F = 0 – 59.9

I will try to adhere to the above grading scale but I reserve the right to deviate from it. I don’t negotiate grades. You earn them.
EXAMS
- Exams will cover only lecture material.
- Final exam is comprehensive and covers all chapters taught.
- You have three midterm exams. I take the Best 2 out of 3 midterms; Each midterm is worth 20% of your course grade. Comprehensive Final Exam is worth 50% of your course grade. (See schedule of classes for final exam time.) If you miss any one midterms, that is your lowest grade. If you take all three midterm tests, I will drop the lowest grade you made. If you miss two or more midterms, then, you get a ZERO for all those missed tests. No makeup exams given. Final cannot be dropped. I do not give Incomplete to anyone. FINAL is a departmental FINAL and given during FINALS week at the same time to ALL SECTIONS of FINA 3770.

CLASS PARTICIPATION
- Participation: The course is to be taught in an interactive style. Raising and answering questions are extremely important.
- Class attendance is required. You can miss one class without any penalty. If you miss more than one, missing each additional class will result in a ½ grade reduction in your overall grade. Any exceptions must be discussed with me prior to the absence.
- If a student misses a class it is the student's responsibility to find out what material was covered in class and to catch up.
- You should try to read the chapter before we cover it in class. Use the study guide and PPT notes to help you read. Reading ahead will help you participate in the conversation in class.

CLASSROOM BEHAVIOR:
- Be respectful to your classmates. I will not tolerate behaviors that interrupt the class. No chit chat with students sitting around you. Keep your private conversations out of the classroom. It is not acceptable to have your phone go off during the class. It is not acceptable to leave the classroom during the lecture without informing me before the class. Use electronic devices only for strict class related matters.

DISABILITY ACCOMMODATION
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](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 the 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

If I suspect that you have engaged in academic dishonesty, I will deal with the situation as outlined in the University Policy shown above. You will be allowed to remain in the class during the entire time that the academic misconduct accusation is being investigated, adjudicated, and appealed. As noted above, the maximum academic penalty that can be assessed by an instructor is an F in the course. However, university officials use the academic misconduct information to decide if other misconduct sanctions are then to be applied, and the student has separate rights to appeal those decisions, remaining in the class until all appeals are exhausted.

STUDENT PERCEPTIONS OF TEACHING (SPOT)

Student feedback is important and an essential part of participation in this course. The student evaluation of instruction is a requirement for all organized classes at UNT. The SPOT survey will be made available during weeks 13 and 14 of the long semesters to provide students with an opportunity to evaluate how this course is taught. Students will receive an email from "UNT SPOT Course Evaluations via IASystem Notification" (no-reply@iasystem.org) with the survey link. Please look for the email in your UNT email inbox. Simply click on the link and complete your survey. Once you complete the survey you will receive a confirmation email that the survey has been submitted. For additional information, please visit the spot website at www.spot.unt.edu or email spot@unt.edu.

EAGLE CONNECT ACCOUNT

All students should activate and regularly check their EagleConnect (e-mail) account. EagleConnect is used for official communication from the University to students. Many important announcements for the University and College are sent to students via EagleConnect. For information about EagleConnect, including how to activate an account and how to have EagleConnect forwarded to another e-mail address, visit https://eagleconnect.unt.edu/
<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Content</th>
<th>Topic</th>
<th>Chap.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>8/29</td>
<td>Introduction</td>
<td>I. Tools: Financial Statement Analysis</td>
<td>1</td>
</tr>
<tr>
<td>Week 2</td>
<td>9/5</td>
<td>Financial Markets and Institutions</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Week 3</td>
<td>9/12</td>
<td>Financial Statements</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Week 4</td>
<td>9/19</td>
<td>Analysis of Financial Statements</td>
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<td>4</td>
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<tr>
<td>Week 5</td>
<td>9/26</td>
<td>Review Exam1 (Chapter 1,2,3,4)</td>
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<tr>
<td>Week 6</td>
<td>10/3</td>
<td>Time Value of Money</td>
<td>II. Tools: Time Value of Money, Risk/Return</td>
<td>5</td>
</tr>
<tr>
<td>Week 7</td>
<td>10/10</td>
<td>Time Value of Money</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Week 8</td>
<td>10/17</td>
<td>Risk and Return</td>
<td></td>
<td>8</td>
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<tr>
<td>Week 9</td>
<td>10/24</td>
<td>Review Exam2 (Chapter 5,8)</td>
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<tr>
<td>Week 10</td>
<td>10/31</td>
<td>Bonds</td>
<td>III. Applications: Asset Valuation</td>
<td>7</td>
</tr>
<tr>
<td>Week 11</td>
<td>11/7</td>
<td>Stocks</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Week 12</td>
<td>11/14</td>
<td>Stocks</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Week 13</td>
<td>11/21</td>
<td>Practical issues in stock investing</td>
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<tr>
<td>Week 14</td>
<td>11/28</td>
<td>Review Exam3, (Chapter 7,9)</td>
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<tr>
<td>Week 15</td>
<td>12/5</td>
<td>Project presentation General Review</td>
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<tr>
<td>Week 16</td>
<td>12/13, Thur. 4-6 p.m.</td>
<td>Final Exam (Comprehensive)</td>
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</table>
Extra Credit Project: Stock Analysis

Project requirements:
This is a group project
As a stock market analyst, you team should recommend one stock to your investors. Write a 20 page (double space) report (not including tables or charts copied from other recourses) following the stock analysis template. You should also include any Excel spread sheets used in your analysis. Each team (including every team member) will do a PowerPoint presentation (about 15minutes) in class. Some guidelines:

- This project is optional to earn extra credit. You sign up for the project in week 11. You cannot join the project after week 11.
- The written report should include a cover page with stock name, and a list of all team members by alphabet order.
- Each team member should contribute to and understand the whole project.
- The project should be presented in a professional way.
- The report should be assembled in a professional way.
- The written report, PowerPoint and Excel files should be emailed to me before your group’s presentation.
- A hard copy of the report and PowerPoint presentations are due on the day of your group’s presentation.

How to choose a stock for your research

- Products/services we have personal experience
  - Avoid industry/business that your experience is only from reading newspapers and financial statements. Leave them to experts and insiders in that area. Examples: Lehman Brothers, AIG
  - Focus on consumer oriented businesses. It offers products and services that you might be able to judge independently. Examples: EBay, Amazon, Wal-Mart
- Business/products that are simple to understand
  - Netflix, Blockbuster, Apple
- Business/products, company we are interested in
Framework of Stock Analysis Project

I. Quick opinion. Summarize your analysis by simple numbers, including: Report Date, S&P value, Last Price (when the report is submitted), Intrinsic Value, Economic Moat, and Recommendations. Use the Morningstar style and put this session on the top your report.

II. The Theme: This part highlights your major insights into the company and its stock.

III. Business Analysis: When you buy stock of a company, essentially you are buying the business. Analyzing a stock starts with understand its business.
   - Profile of company (in your own words)
   - Macroeconomic and industry analysis
   - Analysis of the company and the prospects of its major products and services.

IV. Financial analysis: Major financial statements and ratio analysis. More important is forecasting the future. More specifically, a projection of sales, margins (gross margin, operating margin, profit margin), profits and most important, earning per share (EPS) for the coming quarter and fiscal year end. It should also project growth rate of sales and earnings for next five years. Extensive use of spreadsheets is expected. Use historical data from Morningstar Direct in your analysis. From Morningstar Direct, you should be able to obtain historical moat rating, star rating, all historical financial statement data and data derived from financial statements. Try to project long term trend using those historical data.

V. Stock Valuation: Calculating the fair current value (Intrinsic Value) of the stock. In theory, fair value (also called intrinsic value) is what the stock price should be given the market is free from errors. It can be calculated in various ways, depending on what model you use. Commonly used models are P/E multiples, Dividend discount models and Free Cash Flow models. This analysis needs the help of analytical tools like Excel. Some reports also project expected stock price in one year.

VI. Bulls vs. Bears: There are always bull and bear views for any stock. That is why at any price, there are buying and selling orders—the two side of the same coin of a transaction. Try to see the arguments for two sides.

VII. The moat: You should also discuss the economic moat (a concept borrowed from Warren Buffet), which is the sustainable competitive advantage in the long term.

VIII. Investing Recommendation: this is your action plan as an investor. Your strategy choices include buy, sell, hold, wait, avoid, short, etc…

IX. Reference: You MUST cite ALL resources your analysis uses.
   - It is OK to use information from various resources. It is not acceptable not to cite them. Just listing several websites at the end is not the correct way of citation. Citation is always important for other investors to check your facts and numbers.
   - Whenever an external recourse is used, you should use footnotes like this: Recent Morningstar reports states that “Unprecedented increases in
commodity costs have put a strain on Kraft’s profitability.” ¹ All cited information must be quoted using quotation marks and Italicize the text like the example. Each citation cannot be longer than three sentences.

- You can use external resources for historical financial statement data, but projections for future performance and calculations of intrinsic values must be your own.

¹ Morning star report on KFT, October 2010