



**Subject: Accounting and Finance**

**Number: EBG540**

**Course Title: Accounting and Finance**

**Section:**

**Semester/year: Fall 2018**

**Instructor or Coordinator: Michael R. Walls**

**Contact information (Office/Phone/Email):** [mwalls@mines.edu](mailto:mwalls@mines.edu)

**Office hours: Monday: 2:00 – 3:00 and Wednesday: 11:00 – 12:00**

**Class meeting days/times: Monday & Wednesday 12:30 – 2:00**

**Class meeting location:**

**Teaching Assistant (if applicable):**

**Contact information (Office/Phone/Email):**

**Instructional activity:**  3 hours lecture  hours lab  semester hours

**Course designation:**  Common Core  Distributed Science or Engineering  
 Major requirement  Elective  Other (please describe \_\_\_\_\_)

**Course description from Bulletin:**

**Textbook and/or other requirement materials:**

**Required text:**

**Accounting Readings:**

*Understanding the Corporate Annual Report*, Lyn M. Fraser and Aileen Ormiston.

**Corporate Finance Readings:**

Brealey, R. & Myers, S., & Allen, F., *Principles of Corporate Finance*, 10<sup>th</sup> Edition, McGraw-Hill, New York, NY, 2010.

*Wall Street Journal* – 10-week subscription

**Other required supplemental information:** Assignments and teaching note on Canvas

**Student learning outcomes:**

Accounting is in many ways the language of business and an essential part of the business management process. The brief accounting module in this course is designed to provide students with a broad understanding of the role of accounting principles in business, the analysis and reporting of business transactions, and the use of accounting information for business decisions-making, planning, performance measurement and control. The accounting module provides students a basic understanding of financial accounting statements, including the balance sheet, income statement, and statement of cash flows. This module provides

students a sound understanding of how business activities are measured and communicated to stakeholders through the accounting information system. The accounting module is designed to complement and support a much more detailed emphasis in the area of corporate finance.

The basic issues studied in corporate finance pertain to the valuation of investments, firms and the securities they issue. The corporate finance module includes the study of capital budgeting, financing decisions and dividend policy - all of which are fundamental components needed to gain a keen understanding of corporate finance. This module provides an in-depth study of the theory and practice of corporate financial management including a study of the firm's financial objectives, investment decisions, long-term financing decisions, as well as cash and working capital management.

Initially, we present an overview of finance theory in a world where all future outcomes are known with certainty. This treatment allows us to consider how the theory of choice used to develop financial theory under certainty can be extended to more real-world conditions -- where risk and uncertainty prevail. We then focus our attention on the application of modern financial theory to financial management problems, including capital budgeting decisions, financing decisions, portfolio management, debt policy, and other fundamental tenets of modern finance theory. Each of these elements is presented in the context of the workings of modern capital markets and how those markets can influence corporate financing and investment decisions.

The class format for both modules will be primarily lecture. In-class problems will be worked and discussed in order to reinforce the concepts and theories described in the lecture. In the corporate finance module, students are required to read the Wall Street Journal on a daily basis in order to better understand how the theory of finance relates to day-to-day financial analysis and reporting. Students will be expected to discuss current financial events in light of the topics covered in the course. Point papers presented by teams of students will focus on articles and readings from the Wall Street Journal and will serve as topics for class discussion. Students are also required to complete all required readings before each class and participate in class discussions. Assigned homeworks will be submitted by teams of 2 students each. All assignments must be prepared and submitted on time: late homework assignments are not accepted.

**Brief list of topics covered: see course outline below.**

**Policy on academic integrity/misconduct:** The Colorado School of Mines affirms the principle that all individuals associated with the Mines academic community have a responsibility for establishing, maintaining an fostering an understanding and appreciation for academic integrity. In broad terms, this implies protecting the environment of mutual trust within which scholarly exchange occurs, supporting the ability of the faculty to fairly and effectively evaluate every student's academic achievements, and giving credence to the university's educational mission, its scholarly objectives and the substance of the degrees it awards. The protection of academic integrity requires there to be clear and consistent standards, as well as confrontation and sanctions when individuals violate those standards. The Colorado School of Mines desires an environment free of any and all forms of academic misconduct and expects students to act with integrity at all times.

Academic misconduct is the intentional act of fraud, in which an individual seeks to claim credit for the work and efforts of another without authorization, or uses unauthorized materials or fabricated information in any academic exercise. Student Academic Misconduct arises when a student violates the principle of academic integrity. Such behavior erodes mutual trust, distorts the fair evaluation of academic achievements, violates the ethical code of behavior upon which education and scholarship rest, and undermines the credibility of the university. Because of the serious institutional and individual ramifications, student misconduct arising from violations of academic integrity is not tolerated at Mines. If a student is found to have engaged in such misconduct sanctions such as change of a grade, loss of institutional privileges, or academic suspension or dismissal may be imposed.

The complete policy is [online](#).

## Grading Procedures:

### Grading

1. Problem Sets - 15%
2. Mid-Term Exam – 35%
3. Final Exam – 40%
4. Class Participation – 10%

**Coursework Return Policy:** *In general, graded assignments will be returned within one week of submission.*

**Homework:** Late assignments will not be accepted.

### COURSE OUTLINE

Week	TOPIC	READING/ASSIGNMENT
1	Introduction	
2	Overview of Corporate Financial Management Financial Accounting Principles	Chpt. 1
3	Valuing Long-Lived Assets Valuing Stocks and Bonds	Chpt. 2, 3 Chpt. 4
4	Interest Rates and Bonds Investment Criteria	Chpt. 5
5	Capital Budgeting Decisions Open	Chpt. 6
6	Risk and Return/Diversification Modern Portfolio Theory	Chpt. 7 Chpt. 8
7	Capital Asset Pricing Model Capital Budgeting Under Uncertainty	Chpt. 9

8	Risk Analysis Techniques Monte Carlo Simulation/DA	Chpt. 10
9	Mid Term Exam	
10	Spring Break	
11	A Discussion of Market Efficiency Financing Decisions – Stocks and Bonds	Chpt. 13 Chpt. 14 & 15
12	More on Financing Decisions Debt and Debt Policy – Theory and Practice	Chpt. 17 Chpt. 18
13	More on Debt Policy Financing and Firm Valuation	Chpt. 19
14	Introduction to Financial Options	Chpt. 20, 21
15	Open Day	