

AEB 3144 – INTRODUCTION TO AGRICULTURAL FINANCE

Fall 2019 – Class number 10170 – 3 Credits

CLASS TIME AND LOCATION

T, Period 7 (1:55pm – 2:45pm)

MAEA 0303

R, Periods 7-8 (1:55pm – 3:50pm)

RNK 0110

OFFICE HOURS

TWR, (10:00am – 11:00am)

1083 MCCB

Or by appointment.

PREREQUISITE

AEB 3122 or ACG 2071 (or equivalent).

INSTRUCTOR

Derek Farnsworth

Office: 1083 MCCB

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TEACHING ASSISTANT

Mengming Li

Office: 1094 MCCB Room B

Hours: R, 4:00 – 5:00pm

Email: mengming.li@ufl.edu

COURSE DESCRIPTION

Basic financial statements, investment frameworks and theories of financial intermediation as applied to agricultural firms, along with an overview of financial institutions that provide capital to agriculture.

The goal of this course is to provide a basic understanding of corporate finance principles and build a foundation for other agribusiness courses. The course provides students with the tools to understand and solve basic financial problems faced by individuals and businesses today. Practical applications and problem solving techniques are emphasized. The topics covered include basic financial statement analysis, time value of money, valuation of financial assets, investment frameworks, capital budgeting techniques, and capital structure theory.

E-LEARNING IN CANVAS

There will be an e-Learning web-page for this course. To access e-Learning you will need your Gatorlink username and password. E-Learning can be accessed via <http://elearning.ufl.edu/>. Should you have difficulties accessing e-Learning, please contact the UF Computing Help Desk directly by calling (352) 392-HELP or via e-mail at helpdesk@ufl.edu.

REQUIRED TEXT AND MATERIALS

Ross, Stephen A., Randolph W. Westerfield, and Bradford D. Jordan. Essentials of Corporate Finance, 9th Edition, 2017, McGraw-Hill/Irwin.

Calculator: Students should have a financial or graphing calculator (such as the HP 10bII+) as it will be necessary for completion of homework assignments and exams. **Students are responsible for learning how to use their particular calculator.** *I reserve the right to clear the memory of all programmable calculators for all exams.*

Top Hat: This software will be used for quizzes and discussions (<https://tophat.com/>).

Please retain your textbook and calculator upon completion of the class. These materials are necessary for AEB 4138 - Advanced Agribusiness Management.

LEARNING OBJECTIVES

After completing this course, you will be able to:

1. Read and analyze financial statements for the purpose of evaluating investment decisions.
2. Describe the principle of time-value of money and apply this concept to valuing annuities, perpetuities, loan values, bond values, stock values, and capital investment opportunities.
3. Describe the conceptual relationship between the expected return and the relevant risk of individual assets and a portfolio of assets.
4. Describe the concept of cost of capital and role of leverage and apply these concepts in the determination of the optimal capital structure.

COURSE OUTLINE

1. Introduction to Financial Management (CH1)
2. Financial Statements (CH2)
3. Working with Financial Statements (CH3)
4. Time Value of Money (CH4)
EXAM 1 (CH1 – CH4)
5. Discounted Cash Flows (CH5)
6. Bond Valuation (CH6)
7. Equity Valuation (CH7)
8. Net Present Value and Other Investment Criteria (CH8)
EXAM 2 (CH5 – CH8)
9. Capital Investment Decisions (CH9)
10. Capital Markets (CH10)
11. Risk and Return (CH11)
12. Cost of Capital (CH12)
EXAM 3 (CH9 – CH12)

GRADES

Your final course grade is determined by the following components:

Exams (3 at 20% each)	60%
<u>Homework (8 at 5% each)</u>	<u>40%</u>
Total	100%

Grades will be awarded as follows:

93% or greater	A
90% to 92.99%	A-
87% to 89.99%	B+
83% to 86.99%	B
80% to 82.99%	B-
77% to 79.99%	C+
73% to 76.99%	C
70% to 72.99%	C-
67% to 69.99%	D+
63% to 66.99%	D
60% to 62.99%	D-
Below 60%	E

Please note that grades are **not** “rounded” in any way at the end of the term. However, a curve may be implemented at the instructor’s discretion.

For general information about grading and grading policy at the University of Florida, please refer to: <https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>

Exams

There will be **three in-class exams** during the semester. Each exam is worth 20% of your grade. The exams may consist of multiple choice, problem-solving, and short answer questions. The exams may be based on material covered in class, material from the textbook, or concepts implied by the material covered. The exam dates are tentatively scheduled as follows:

- **Exam 1: September 19**
- **Exam 2: October 31**
- **Exam 3: December 11 (10am – 12pm in normal classroom)**

Note: Posted exam dates are subject to change, it is your responsibility to listen to class announcements and check e-Learning for any changes in exam dates.

Exam Day Policy

The exams are closed book and closed notes. You are allowed (**and will need**) to use a calculator on exams (**DO NOT FORGET TO BRING YOUR CALCULATOR TO EXAMS**).

It is expected that all students are on-time to exams. Please arrive early, if possible, to get seated and get your books/bags stowed away so that the exam can start as promptly as possible. You may leave the class after 20 minutes. **NO ONE WILL BE ALLOWED TO ENTER THE CLASSROOM TO BEGIN THE EXAM AFTER THE FIRST STUDENT HAS TURNED IN THEIR FINISHED EXAM.**

If you miss an exam because you are participating in a University of Florida sponsored event, you may make up an in-class exam only if you bring your documentation to your instructor PRIOR to the event (at least 7 days prior to a scheduled exam).

If you miss an exam for any reason other than a University of Florida sponsored event (excused or unexcused) **you need to provide valid documentation for an emergency.** For example, if you miss the exam due to a medical reason, the doctor's note should clearly state that you were not in a position to attend class that day. For a family emergency, you should obtain proper documentation from the Dean of Students Office. **Any such documentation must be presented within 3 days of the exam.**

Homework

There will be **nine homework assignments** given throughout the semester. One homework assignment grade will be dropped. These assignments will give you an opportunity to become familiar with the subject. It is not possible for you to earn an "A" in this course without doing well on these assignments.

Homework is due at midnight. It is your responsibility to submit assignments on time and follow the instructions for the assignment submission. Your grade for each assignment is determined by the quality of your work. Just submitting an assignment is not sufficient to get a good grade. **Late assignments will receive half credit.**

General Grading Information

The material taught in this course is best learned through examples. The more problems you attempt (and complete) the better you will learn the material and the greater the chance you will receive a good grade in the class. That is why there will be a significant number of homework assignments (9). In addition, suggested problems will be assigned for each textbook chapter covered during the semester. **Suggested problems will not be turned in for a grade, however it is in your best interest to complete these problems as approximately 25% of the questions on each in class exam will come directly from the suggested problems and the homework (the breakdown will be at the instructor's discretion).** It is also in your best interest to attend class as any **extra credit opportunities will occur in class.**

OTHER COURSE POLICIES

Re-grade Policy

If you have a question about the grading of your assignment and/or exam, you must contact me immediately. If you believe there has been a grading mistake, you can appeal points that you earned in an assignment and/or exam (i.e., get more points). **To appeal, you must state your case in writing within one week of the day I hand back the assignment or exam** (regardless of when you pick it up). Turn the entire assignment or exam in, along with a written description of your concern and your expected resolution of the problem. Be aware that when you do this, I will **re-grade the entire assignment or exam** (thus you must turn the original back in).

Class Attendance

I believe that regular attendance is necessary for students to obtain maximum benefit from the course. While I do not require attendance, **I will randomly give extra credit quizzes in class to promote attendance.** Class attendance is required in the sense that you will be responsible for all material covered and all reading material assigned. I will not provide copies of my notes that are covered in the class but are not posted on e-Learning. Please make arrangements with your classmates to get the notes if you miss any class.

Requirements for class attendance and make-up exams, assignments, and other work in this course are consistent with university policies that can be found at:

<https://catalog.ufl.edu/ugrad/current/regulations/info/attendance.aspx>

Expected Class Behavior

You are expected to participate in the class activities, ask, and answer questions. Cell phones are to be turned off and put away. No texting is allowed during class. Please be courteous to your fellow students and me by coming to class on time and not disrupting class (talking to other students during lectures, bothering other students, etc.).

SUPPLEMENTAL INFORMATION

Services for Students with Disabilities

The Disability Resource Center coordinates the needed accommodations of students with disabilities. This includes registering disabilities, recommending academic accommodations within the classroom, accessing special adaptive computer equipment, providing interpretation services and mediating faculty-student disability related issues. Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the instructor when requesting accommodation. Please use the following contact information for these resources:

0001 Reid Hall, 352-392-8565, www.dso.ufl.edu/drc/

Online Course Evaluation Process

Student assessment of instruction is an important part of efforts to improve teaching and learning. At the end of the semester, students are expected to provide feedback on the quality of instruction in this course using a standard set of university and college criteria. These evaluations are conducted online at <https://evaluations.ufl.edu>. Evaluations are typically open for students to complete during the last two or three weeks of the semester; students will be notified of the specific times when they are open. Summary results of these assessments are available to students at <https://evaluations.ufl.edu/results>.

Software Use

All faculty, staff and students of the university are required and expected to obey the laws and legal agreements governing software use. Failure to do so can lead to monetary damages and/or criminal penalties for the individual violator. Because such violations are also against university policies and rules, disciplinary action will be taken as appropriate.

UF Supporting Services

College life can sometimes be overwhelming. Resources are available on-campus to help students manage personal issues or gain insight into career and academic goals. Some of them are:

Counseling and Wellness Center: <http://www.counseling.ufl.edu/cwc/>

Student Health Care Center: <http://shcc.ufl.edu/>

Career Resource Center: <http://www.crc.ufl.edu/>

Dean of Students Office: <http://www.dso.ufl.edu/>

For a full list of services please see:

<https://catalog.ufl.edu/ugrad/current/support/info/student-services.aspx#SA>

Academic Honesty

As a student at the University of Florida, you have committed yourself to uphold the Honor Code, which includes the following pledge: "We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honesty and integrity." You are expected to exhibit behavior consistent with this commitment to the UF academic community, and on all work submitted for credit at the University of Florida, the following pledge is either required or implied: "On my honor, I have neither given nor received unauthorized aid in doing this assignment."

It is assumed that you will complete all work independently in each course unless the instructor provides explicit permission for you to collaborate on course tasks (e.g. assignments, papers, quizzes, exams). Furthermore, as part of your obligation to uphold the Honor Code, you should report any condition that facilitates academic misconduct to appropriate personnel. It is your individual responsibility to know and comply with all university policies and procedures regarding academic integrity and the Student Honor Code. Violations of the Honor Code at the University of Florida will not be tolerated. Violations will be reported to the Dean of Students Office for consideration of disciplinary action. For more information regarding the Student Honor Code, please see: <http://www.dso.ufl.edu/sccr/process/student-conduct-honor-code>.

APPROXIMATE COURSE OUTLINE BY WEEK

Week	Tuesday	Thursday	Material/Notes
8/18			Class Introduction
8/25		HW 1	Chapter 1: Introduction to Financial Management
9/1		HW 2	Chapter 2: Financial Statements
9/8		HW 3	Chapter 3: Working with Financial Statements
9/15		Exam 1	Chapter 4: Time Value of Money
9/22	No Class		Chapter 5: Discounted Cash Flows
9/29			Chapter 6: Bond Valuation
10/6		HW 4	Calculator Practice
10/13		HW 5	Chapter 7: Equity Valuation
10/20		HW 6	Chapter 8: NPV and Other Investment Criteria
10/27		Exam 2	Chapter 9: Capital Investment Decisions
11/3			Chapter 10: Capital Markets
11/10		HW 7	Chapter 11: Risk and Return
11/17		HW 8	Chapter 12: Cost of Capital
11/24		No Class	Fall Break
12/1	HW 9	No Class	Class Review
12/8	No Class	No Class	Final Exam Week – Exam 3: 12/11 10am – 12pm

Please note this syllabus is a rough outline of the course and how it will be conducted. Changes to the course (exam dates, material covered, general policies, etc.) are determined by the instructor and subject to change. By enrolling in this course you are agreeing to the terms outlined in this syllabus. Please see me if you have any questions.