

AGEC 4403—Agricultural Finance

Fall 2017
(3 credit hours)

Time: Tuesday 9:00-10:20 am
Thursday 9:00-10:20 am

Location: Martin Woodin, Room 204

Instructor and Contact Information:

Instructor: Maria Bampasidou
Office: 234 Martin D Woodin Hall

Office Hours: Tu 3:00 pm-4:00 pm
We 10:30 am – 12:00 pm
Other days by appointment
E-mail: mbampasidou@agcenter.lsu.edu
or through Moodle

I have an open door policy but I may not be able to accommodate you without an appointment.

Additional office hours can be scheduled by appointment. Feel free to e-mail me to schedule one especially should you want to discuss your class performance.

Communication: E-mail is a preferable way to communicate with me outside office hours. Courteous and professional e-mails can expect a prompt reply.
I reserve every right not to respond to unprofessional emails, and text-format emails.
Please keep in mind that it takes at least a day to answer e-mails so send yours in a timely fashion.

Undergraduate Advisers: Mr. Ator, 125 Martin D. Woodin Hall; (225) 578-2375
Email: dator@agcenter.lsu.edu
Dr. Biswas, 111 Martin D. Woodin Hall; (225) 578-2759
Email: tbisw1@lsu.edu

Director of Undergraduate Studies: Dr. Fannin, 130 Martin D. Woodin Hall; (225) 578-0346
Email: mfannin@agcenter.lsu.edu

General Course Information:

Course description: This course is designed to develop the student's understanding of financial tools and financial management in agricultural business. Topics will cover capital acquisition and capital use in the agricultural sector; cost and availability of credit; financial management; leverage, liquidity, risk and capital investment in agricultural businesses.

Prerequisites: Grade of “C” or above in ACCT 2000 or ACCT 2001 or equivalent; grade of “C” or above in AGECE 2003 and ECON 2030, or ECON 2000 and ECON 2010 or equivalent.

Learning Objectives:

After successful completion of this course, students should be able to:

1. Read and analyze financial statements for the purpose of evaluating business performance.
2. Describe the concept of cost of capital and role of leverage and apply these concepts in the determination of the optimal capital structure.
3. 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.
4. Use investment analysis techniques to accept or reject investment projects and rank mutually exclusive investment alternatives.

Course Material:

Required textbook: Entrepreneurial Finance, Philip J. Adelman and Alan M. Marks, Pearson, 6th edition. ISBN-13: 978-0133140514; ISBN-10: 0133140512
Older editions are acceptable. The student is responsible to follow the course material as content may vary in older editions.

Additional material:

1. **Lecture notes.** You can find lecture notes on Moodle. Students are responsible to bring a printed copy in class.
2. **Additional readings**
 - **Financial Management in Agriculture**, Peter J. Barry and Paul N. Ellinger, Prentice Hall, 7th edition. Older editions can be used.
 - **Articles from The Wall Street Journal, Investor’s Business Daily, The Economist, and Economic Outlooks.** This information will be available through Moodle.

Moodle

- Moodle is used for emails, announcements, course discussions, lecture notes, handouts, suggested exercises and respective solutions.
- To access Moodle you will need your Paws username and password. Should you have difficulties accessing Moodle, please visit <https://grok.lsu.edu/Article.aspx?articleId=15076> and/or contact LSU Computing Help Desk at helpdesk@lsu.edu or call 578-3375.

Important Note: Reading your book, lecture notes, and related handouts is imperative to benefit the most out of the course. You should expect to study a minimum of 2 hours/week to cover and comprehend course material. Time-commitment for exam preparation will be significantly higher.

Course Modules:

A short description of course modules is provided below. The chapters listed below follow the required textbook and additional readings.

1. Introduction to Ag Finance (ch 1-2)

An ice-breaker module introducing basic concepts in Agricultural and Entrepreneurial Finance

- Economic Concepts of Finance
- Intro to Financial Management
- Risk and Uncertainty

2. Financial Statements and Financial Statement Analysis (ch 3, 4, 6)

A core module. Developing and maintaining a timely and comprehensive information system is key in financial management. This module will cover three important financial statements and discuss their use in financial management and profitability, liquidity, and efficiency analysis of a business.

- Financial Statements (Income Statement, Balance Sheet, Cash Flow)
- Vertical and Horizontal Analysis
- Financial Ratio Analysis
- Pro Forma Financial Statements (Portion of ch 6)

3. Capital Structure, Profitability, and Working Capital Management (ch 5, 7, additional readings)

This module discusses important decision variables in financial planning and investment analysis. Two important theories used in capital structure analysis will be introduced.

- Debt and Equity Use in Agriculture
- Trade-off and Pecking-order Theories
- Asset Management and Debt Management

4. Time Value of Money, Investment Analysis and Capital Budgeting (ch 8-10)

A core module. This module develops the basic ideas underlying the time value of money and presents tools to determine the effect of time on financial decisions. We will then discuss main methods used for evaluating investment decisions.

- Compound Interest
- Present Value; Internal Rate of Return; Payback Period
- Annuities
- Capital Budgeting

5. Additional Topics

- Personal Financial Management
- Land Values

Thorough breakout of the course modules will be found on Moodle. Please make sure you keep up with the modules and the respective announcements.

The instructor reserves the right to change the material, the chapters, and the respective sequence as appropriate. Any changes will be communicated timely in class, via the Moodle e-mail list serve, and via Moodle. It is the student's responsibility to stay informed and updated of any changes.

Course Outline based on topics covered:

Date	Topic
Aug. 22	Introductions, Syllabus, Course Expectations
Aug. 24	Introduction to Financial Management and Ag Finance
Aug. 29	Financial Management—Business Planning Activity
Aug. 31	Financial Statements Part 1
Sep. 5	Financial Statements Part 2
Sep. 7	Analysis of Financial Statements Part 1
Sep. 12	Analysis of Financial Statements Part 2
Sep. 14	Pro Forma Statements
Sep. 19	Exam 1 Review
Sep. 21	Exam 1
Sep. 26	Profit and Profitability
Sep. 28	Working Capital and Current Asset Management
Oct. 3	No Class
Oct. 5	Trade-off Theory and Pecking-order Theory—Discussion Session
Oct. 10	Time Value of Money Part 1—Introduction
Oct. 12	Time Value of Money Part 2—Investment Analysis
Oct. 17	Time Value of Money—Activity
Oct. 19	No Class—Fall Holiday
Oct. 24	Time Value of Money Part 3—Annuities
Oct. 26	Exam 2 Review
Oct. 31	Exam 2
Nov. 2	Capital Budgeting Part 1
Nov. 7	Capital Budgeting Part 2
Nov. 9	Personal Finance Part 1
Nov. 14	Personal Finance Part 2
Nov. 16	Land Values—Discussion
Nov. 21	Land Values and Macroeconomic Indicators
Nov. 23	No Class—Thanksgiving Holiday
Nov. 28	Exam 3
Nov. 30	Last Class—Discussion, Final Exam Review
Dec. 7	Final Exam

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Evaluation of Performance and Grading:

Grades: Your grade will be determined based on your performance on the exams administered during the course. Your final grade for AGEC 4403 will be based on the following:

Grade components		
Exams (60%):	In-class exam 1	Out of 80 points
	In-class exam 2	Out of 80 points
	In-class exam 3	Out of 80 points
	<i>Final exam (optional)</i>	<i>(Out of 80 points)</i>
Assignments (30%):	HW (6 out of 8)	Out of 80 points
	In-class or Moodle Quizzes (4 out of 5)	Out of 20 points
	Current Event Report	Out of 20 points
Class Activities/Participation (10%):		Out of 40 points
Total (100%)		Out of 400 points

Notes: The course grade is point-based not percentage-based. You will be able to assess your performance at any point during the semester. All grades will be uploaded on Moodle. To calculate your grade, you need to add the points you received in the respective grade categories considering the potential drops:

- HWs: Two of your lowest graded assignments will not be counted towards your grade
- Quizzes: One quiz will be dropped
- Exams: Three out of Four exams will be counted towards your grade. The Final Exam is optional.

Final course grade will have the following benchmarks out of 400 possible grade points:

Letter	Course Equivalent	Notes
A+	≥97% (≥388)	<ul style="list-style-type: none"> • For general information about grading and grading policy at the Louisiana State University, please refer to: https://sites01.lsu.edu/wp/registrarooffice/academic/s/plusminus-grades-guidelines/ • Please note that grades are not “adjusted” in any way at the end of the term.
A	93%-96.99% (372-387)	
A-	90%-92.99% (360-371)	
B+	87%-89.99% (348-359)	
B	83%-86.99% (332-347)	
B-	80%-82.99% (320-331)	
C+	77%-79.99% (308-319)	
C	73%-76.99% (292-307)	
C-	70%-72.99% (280-291)	
D+	67%-69.99% (268-279)	
D	63%-66.99% (252-267)	
D-	60%-62.99% (240-251)	
F	0%-56.99% (<240)	

Exams (60%)

In Class Exams: starting at 9:00 am

- Points:** 80 potential points per exam
- Format:** Multiple-choice, T-F, problem-solving and/or short-answer questions.
- Content:** Material covered in class, from the book, or concepts implied by the material covered.
Each exam will be based on specific sections covered in class within the respective time-period (i.e. no cumulative, though concepts are transferable and more than one ways to approach exam questions may be possible).
- Missed exam policy:** There are NO “excused” exams. **Should you miss one of the in-class exams**, you will receive a zero for that exam. A makeup can only be administered under a University acceptable excuse.
For students missing an in-class exam the final will be mandatory.
- Exam day policy:**
- It is expected that all students are on-time to take the exam. Please arrive early, if possible, to get seated and get your books/bags stowed away so that the exam can start on the stated-time.
 - You may leave the class after 30 minutes.
 - **NO ONE WILL BE ALLOWED TO ENTER THE CLASSROOM TO BEGIN THE EXAM AFTER THE FIRST STUDENT HAS TURNED IN THEIR FINISHED EXAM**
 - Exams are closed book and closed notes.
 - A simple calculator may be used. **Not acceptable** are the following items: graphing calculators and calculators with more than one display rows, cell phones, touch-screen devices, or other devices with the capability of storing formulae.

Exceptions

ABSENCES THAT COMPLY WITH PS-22 ONLY

1. Illness

Should you miss an exam due to a serious, physician documented illness please contact the instructor by email prior to attending the next class period if a medical excuse will be used to take a makeup exam. The physician’s medical excuse on office letter-head must be received by the instructor prior to the student attending the next class period so that a makeup date can be arranged. Failure to follow this policy will terminate any opportunity to take a makeup exam.

2. Religious Holiday Observance

Any student who must miss any regularly scheduled exam due to religious holiday observance need to inform the instructor within the first three days after the drop/add period ends.

Automobile problems, family obligations, alarm clock malfunctioning, a sore throat, a severe cold, work requirements, vacation trips, job interviews, etc. do not warrant an excused absence.

The Final exam is comprehensive

Points: 80 potential points

Format: Multiple-choice questions.

Content: Cumulative. Material covered throughout the semester.

Exam day policy: Same with In-class exams.

Exam Date: **Thursday, December 7 2017 @ 12:30-2:30 pm**

Important Notes:

The Final Exam is scheduled by the registrar's office and no early or late Final exams will be administered.

- **You cannot drop the final exam. Should you decide to take the final, the grade you will receive will count towards your course grade. The lowest in-class exam grade will be dropped.**
- **For students missing an in-class exam the final becomes mandatory.**
- **Students not taking the final exam will receive a 'o' for that exam.**

Course Activities (30%)

Homework problems (20%): Homework problems will be assigned at a regular basis throughout the semester. There will be 8 assignments turned in for credit each worth 13.5 points. They are assigned to assist you in learning the material and are highly related to exam questions and hence to your performance in the course. The two lowest scores will be dropped, so a total of 80 possible points will count towards your course grade. These are **individual** assignments and will be treated as such!

Assignments are due before class starts. Since you are allowed to drop two assignments, late submission will be penalized. **All late homework will be immediately reduced by 25%. Homework will not be accepted after twenty-four hours have elapsed. All homework turned in beyond the twenty-four hour deadline will receive a 'o'.**

Quizzes (5%): Your level of understanding of the material will be assessed via periodic quizzes. The quizzes will be conducted in class or online via Moodle. One quiz can be dropped. **No make-up quizzes will be given.** Quizzes may contain true/false, multiple-choice, fill-in-the-blank, and/or short-answer questions.

Current Events Report (5%): This individual activity is meant to link class-material to real-world examples. The Current Events Report will be due the last week of classes and will be based on a topic suggested by the student and approved by the instructor. More information will be given in class.

Attendance/ Participation (10%)

Students are expected to attend class and to be in class on-time. Given the nature and the quantity of material covered in class, regular attendance is a pre-requisite for performing well in this course.

Attendance is essential.

- Please notify me if you will be missing class.
- Attendance checks will be conducted regularly.
- Extra credit points may be offered during class periods; you must be present to earn any extra credit points offered.
- Failure to notify the group members for missing group meetings can carry grade penalties.
- Students who expect some conflict with their ability to be present in class should contact the instructor immediately prior to the drop/add period.

Students can earn up to 40 points through class activities. That includes but is not limited to:

- discussion sessions
- problem solving handouts
- exam reviews.

Based on the nature of the activity students may be given prior notification. As always, attendance is essential.

Grading Policy

Note that: Assignments, and Exams will be returned to you in class and grades will be posted in a timely-fashion on Moodle. You must retain all returned papers in case of any discrepancy with your course grade. We cannot correct any mistakes in grading or recording of scores without the original document.

IMPORTANTLY! You have 7 days after the grade has been posted to voice your concern. Should you believe that your exam/assignment is incorrectly graded or that your grade is incorrectly posted, please contact me as soon as possible. After the 7 days have passed, your posted grade will be assumed to be correct and accurate. Should you ask for a re-grade, please note that the **entire** assignment/exam will be reviewed for accuracy.

Professional Etiquette

The following guidelines are expected to be followed in order to have a productive classroom environment.

- CELLULAR PHONES are expected to be turned off. No texting or any other use of cellular phones is permitted or tolerated in class. So please take a moment to turn-off your devices before the class begins.
- You should also discontinue the use of any iPods, and tablets or similar devices unless indicated by the class activity of the day. Previous notification will be given to you in that event.
- Students are expected to be on-time for class.
- You should avoid talking amongst each other once the lecture begins unless otherwise stated (i.e. part of a classroom-activity/assignment). If you have any questions during class, please raise your hand and I will be happy to address any concerns you may have.
- You should avoid reading other course material or any type of newspaper during the class.

Failure to abide by these simple courtesy rules is considered disrespectful to me and your fellow student and you may be asked to leave the classroom. In that event Dr. Bampasidou reserves the right to account the student as absent.

Supplemental Information:

LSU 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:

- Student Health Center: <http://www.shc.lsu.edu/index.html>
- Career Center: <http://students.lsu.edu/careercenter>
- Office of the Dean of Students:
<http://students.lsu.edu/deanofstudents?destination=node/115>
- Disability Services: <http://students.lsu.edu/disability>

Academic Integrity and Academic Misconduct:

Academic dishonesty is defined as any behavior, active or passive, which attempts to subvert the legitimate teaching, learning, or testing of a subject. It includes, but is not limited to the following:

- cheating on an examination, using notes or other methods;
- assisting or allowing another student to cheat on an examination;

- submission of work that is not the authentic creation of the student (plagiarism, use of purchased term papers, etc.);
- providing false excuses for missing a scheduled examination;
- enabling the cheating or other academic dishonesty of another student;
- altering an examination after it has been graded to claim a better grade is deserved;
- obtaining examinations in advance of the scheduled exam, unless offered by the professor;

Students are required to know and abide by Louisiana State University's Policy on Academic Integrity and Academic Misconduct, which prohibits dishonesty in academic work. For more information please visit the webpage ``LSU Code of Student Conduct", <http://students.lsu.edu/saa/students/code>

It is in your best interests to avoid even the appearance of any questionable behavior.

Disability Statement: The University is committed to making reasonable efforts to assist individuals with disabilities in their efforts to avail themselves of services and programs offered by the University. To this end, Louisiana State University will provide reasonable accommodations for persons with documented qualifying disabilities. If you have a disability and feel you need accommodations in this course, you must present a letter to me from Disability Services in 115 Johnston Hall, indicating the existence of a disability and the suggested accommodations.

Diversity Statement:

Diversity is fundamental to LSU's mission and the University is committed to creating and maintaining a living and learning environment that embraces individual difference. Cultural inclusion is of highest priority.

LSU recognizes that achieving national prominence depends on the human spirit, participation, and dedicated work of the entire University community. Flagship: 2020 will be realized by bringing together diverse ideas, perspectives, skills, and talents of the nation's pre-eminent scholars, brightest students, and leading higher education professionals.

Through it's Commitment to Community; LSU strives to create an inclusive, respectful, intellectually challenging climate that embraces individual difference in race, ethnicity, national origin, gender, sexual orientation, gender identity/expression, age, spirituality, socio-economic status, disability, family status, experiences, opinions, and ideas.

LSU proactively cultivates and sustains a campus environment that values open dialogue, cooperation, shared responsibility, mutual respect, and cultural competence– the driving forces that enrich and enhance cutting edge research, first-rate teaching, and engaging community outreach activities.

<u>Important Dates:</u>	August 21 August 29 September 4 September 21 October 19-22 October 31 November 22-26 November 28 November 30 December 2 December 7 December 12 December 15	Classes Begin End of Drop period Labor Day Exam 1 Fall Holiday Exam 2 Thanksgiving Holiday Exam 3 Report Due Classes End Final Exam (optional) Final Grades due Commencement Day
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By enrolling in this course, you are agreeing to the terms outlined in this syllabus. Please see me should you have any questions.

Disclaimer: The instructor reserves the right to update/change the syllabus provided I notify you for the changes well in advance. Adequate accommodations will be provided should a conflict arise.

Advising Notes:

- **Work in groups with caution.** Avoid relying too heavily on group efforts as it typically leads to a false sense of security and may result in poor exam performance.
- **Keep pace with class material.** We will cover a lot of material in just a semester so attendance is crucial for a good performance in the course and understanding of the material.
- **Ask questions.** Be sure that if you have a question related to class material, most likely another of your fellow students will have a question. Some of the best lecture sessions start with a question.
- **Take advantage of instructor office hours.** We are here to help you!
- **Worry about your grade during the semester not at the end of the semester,** after all your performance during the whole semester is reported in your grade. Proper time management is key in college.

Let's experience a rewarding and productive semester!