

Agricultural Economics and Agribusiness
AGEC 4143 Agricultural Finance
Fall 2007, MWF 9:30-10:20 a.m., AGRI 115

Instructor: Dr. Bruce L. Ahrendsen

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Office Hours: MWF 10:20-11:15 a.m., but you may contact me to schedule an appointment for an alternate time if necessary.

Teaching Assistant: Corey Fortin

Office: AGNX ; Phone: 575-2530; E-mail address: cjfortin@uark.edu; Office Hours: tba.

Catalog Description: Methods and procedures whereby agricultural firms acquire and utilize funds required for their successful operation. Emphasis is placed upon role of finance and financial planning, and consideration is given to an understanding of financial firms serving agriculture. Prerequisite: AGECE 1103 (or ECON 2023) and AGECE 2103 (or ECON 2013). AGECE 2143 or WCOB 1023 is recommended.

Optional Primary Text on Reserve: Lee, Boehlje, Nelson and Murray, *Agricultural Finance*. Iowa State University Press, 8th edition, 1988.

Optional Text on Reserve: Barry, Ellinger, Hopkin and Baker. *Financial Management in Agriculture*. 5th edition, 1995.

Course objectives: (1) to describe and identify the alternative sources and uses of funds and the characteristics of financial intermediaries in the credit market. (2) to identify and describe the role of credit for farms and other small businesses and to use financial analysis techniques to analyze the usefulness of credit under different circumstances. (3) to demonstrate an understanding and the use of various techniques and tools of financial analysis.

Attendance: Classroom attendance is expected. Students who miss class and do not contribute to class discussion usually perform worse than those students who regularly attend class. Students should be prepared to discuss "What's in the news." Almost every day there is a news item that is relevant to the finance course.

Exams, Assignments and Grading: One hour exams during the semester will be over material since the previous hour exam except when materials in previous sections are required to accomplish the task in the current section. The final exam is comprehensive. Exams may be made up only if permission is requested and granted at least one week in advance for University-sponsored activities. No exams will be given early or late for specific individuals for other reasons. If you have a legitimate excuse for missing the exam on the day that it is scheduled, your final exam percentage will be averaged in for the exam you missed. If you do not have a valid excuse, a zero will be averaged in.

All homework assignments must be handed in at the beginning of the period on the day that they are due. Quizzes will be given in class. Late homework assignments will be graded with a zero. The lowest homework assignment score and lowest quiz score will be dropped.

The per cent weighting of the exams and assignments will be as follows:

Homework Assignments: Info Sheet, 4-7	5	Throughout the semester
Quizzes	5	Throughout the semester
Exam I	20	October 5
Case Study Write-up	15	November 5
Exam II	20	November 9
Financial Institution Interview & Letter	15	November 30
Comprehensive Final Exam	20	December 6, 10:00-12:00

Letter grades will be assigned based on your final weighted numerical average.

A	=	93-100	B-	=	80-82	D+	=	67-69
A-	=	90-92	C+	=	77-79	D	=	63-66
B+	=	87-89	C	=	73-76	D-	=	60-62
B	=	83-86	C-	=	70-72	F	<	60

Grades may be curved upward slightly (so that, for example, you might earn an A with a 90 average or a B- with a 79 average), but this will not be done until final averages are computed at the end of the semester. If at any time during the semester you wish to discuss your performance in the course, please do not hesitate to come by my office for a visit.

Students attempting to receive graduate credit for this course are expected to complete their Financial Institution Interview report at a higher level consistent with graduate work.

Academic Honesty: Do not cheat. If you have to cheat to get an acceptable grade in this class you will be miserable in the profession because that is a clear indication that your talents and motivation are way below the norm. All papers submitted for this course must be original and may not have been submitted for another course without the instructor's knowledge. Copying or plagiarism is not allowed. Plagiarism includes copying verbatim text, paragraphs, sentences, etc. from other sources without properly quoting, noting, or citing the source. If you are caught cheating, campus procedures will be followed to exact the appropriate punishment. The campus policy on academic honesty begins on page 35 of the *2007-2008 Catalog of Studies*.

Inclement Weather Policy: The University's policy is to remain open in all weather conditions; however, if the University does close or if the Fayetteville Public Schools close for the entire day, our class will not meet. In addition, if the instructor decides not to hold class due to inclement weather, he will attempt to let you know via my office telephone's answering message and/or via e-mail. Some of you have a more difficult commute to class than do others. The instructor leaves it to the student's personal judgement to determine whether to attend class during inclement weather. For information on the University's hours and Razorback Transit routes, check the University's Weather Policy page whenever the weather is bad (<http://advancement.uark.edu/info/weather.html>).

Miscellaneous: No tobacco products in class. Turn off cell phones prior to class. If you want to request reasonable accommodations for this class due to a disability, you must first register with the Center for Students with Disabilities (CSD) and hand-deliver an official Accommodation Letter from the CSD to the instructor at a mutually convenient time.

Disclaimer: The instructor reserves the right to alter the contents, requirements, and/or scheduling of this course as he sees fit.

Course Outline:

- I. Introduction, Chapter 1 (Class 1-2) Aug. 20, 22
 - A. Course Objectives and Organization
 - B. Financial Issues

- II. Financial Markets and Policy, Chapter 17 (Classes 3-5) Aug. 24, 27, 29
 - A. Financial Markets and Intermediation
 - B. Monetary Policy
 - C. Fiscal Policy

- III. Agricultural Credit Institutions, Chapters 18-24, excluding pages 352-63 (Classes 6-15)
 - A. Market Share of the Debt Market (Class 6) Aug. 31
 - B. Acquisitions of Funds and Credit Extension (Classes 6-7) Aug. 31, Sept. 5
 - C. Commercial Banks (Classes 8-9) Sept. 7, 10

- D. Farm Credit System (Classes 10-11) Sept. 12, 14
 - E. Insurance Companies (Class 12) Sept. 17
 - F. Merchants, Dealers and Other Lenders and Taxes (Classes 13-14) Sept. 19, 21
 - G. Farm Service Agency (Classes 14-16) Sept. 21, 24, 26
 - H. Commodity Credit Corporation (Class 16) Sept. 26
- IV. Resource Acquisition and Control, Chapter 5 (Classes 16-17)
- A. Equity (Class 16) Sept. 26
 - B. Non-equity (Class 17) Sept. 28
- V. Credit and Repayment Terms, Chapters 6, 7 (Classes 18-19) Oct. 1, 3
- A. Role of Credit
 - B. Classification of Credit
 - C. Evaluating Credit Capacity
 - D. Working with Lenders
 - E. Cost of Credit
 - F. Credit Terms
- Exam I (Class 20) Oct. 5**
- VI. Financial Statements, Chapters 8, 9, 10 (Classes 21-27) Oct. 8, 10, 12, 15, 17, 19, 22
- A. The Balance Sheet (Classes 21-24)
 - B. The Income Statement (Classes 24-25)
 - C. The Cashflow Statement (Classes 26-27)
- VII. Credit Analysis, Chapters 11, 19 (pp. 351-363) (Classes 27-34) Oct. 22,24,26,29,31; Nov. 2,5,7
- A. Cash Flow Problems (Classes 27-28)
 - B. Credit Lines (Class 29)
 - C. Making Loans and Loan Processing (Classes 30-32)
 - D. Coordinating Financial Statements (Class 33)
 - E. "Red Flags" (Class 34)
- Exam II (Class 35) Nov. 9**
- VIII. Investment Analysis and Capital Budgeting, Chapters 3, 4 (Classes 36-43)
- A. Time Value of Money (Class 36) Nov. 12
 - B. Mathematics of Compounding Interest (Class 36) Nov. 12
 - C. Methods of Investment Analysis (Classes 37-40) Nov. 14, 16, 19, 26
 - D. Cost of Capital (Class 41) Nov. 28
 - E. Financial Feasibility (Class 42) Nov. 30
 - F. Real Estate Evaluation (Class 43) Dec. 3
- IX. Risk Management, Chapters 2, 13, 14 (time permitting)
- A. Economic Activities of the Firm
 - B. Risk and Return Objectives
 - C. Types of Risk and Uncertainty
 - D. Risk Management Strategies
 - E. Insurance
 - F. Evaluating Risky Situations
- X. Additional Financial Management Topics (time permitting), Chapters 12, 15, 16
- A. Credit Instruments
 - B. Retirement Planning
 - C. Estate Planning