

San José State University

School: Lucas Graduate School of Business
Department: Accounting and Finance
Course Number: BUS1 171B
Title: Financial Management: Commercial Banking
Section: 01
Semester: Spring
Year: 2018

Instructor:	Dr. Marco Pagani
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Office Hours:	MW: 1:30PM – 2:30PM or by appointment No office hours on 2/21 and 3/19
Class Day/Time:	MW: 12:00-1:15PM Final Exam: Wednesday, May 16 - 9:45PM-12:00PM
Classroom:	BBC 106
Prerequisites:	COMM 100W or ENGL 100WB or LLD 100WB and BUS 171A with a minimum grade of “C”

Canvas

Course materials such as syllabus, handouts, notes, assignment instructions, etc. can be found on the [Canvas Learning Management System course login website](http://sjsu.instructure.com) at <http://sjsu.instructure.com>. You are responsible for regularly checking with the messaging system through [MySJSU](http://my.sjsu.edu) at <http://my.sjsu.edu> (or other communication system as indicated by the instructor) to learn of any updates.

Course Description

Asset/liability management principles and decision experience in banking investment policy, loan policy, money desk operations, and corporate planning. Industry historical implications for banking policy and current applications.

Lucas College and Graduate School of Business:

Mission: We are the institution of opportunity in Silicon Valley, educating future leaders through experiential learning and character development in a global business community and by conducting research that contributes to business theory, practice and education.

Lucas College and Graduate School of Business - BSBA Program Goals:

(Not All Program Learning Goals are Covered in Every Course)

Goal One: Business Knowledge

Understand basic business principles and demonstrate discipline-specific competencies as applied to local and global environments.

Goal Two: Communication

Communicate ideas clearly, logically, and persuasively in oral and written format, using technology appropriately.

Goal Three: Ethical Awareness

Recognize, analyze, and articulate solutions to ethical issues that arise in business.

Goal Four: Leadership, Teams and Diversity

Comprehend the challenges and opportunities of leading and working in diverse teams and environments.

Goal Five: Critical Thinking

Comprehend, analyze, and critically evaluate complex and unstructured qualitative and quantitative business problems, using appropriate tools and technology.

Goal Six: Innovation

Recognize, analyze, and articulate strategies for promoting creativity and innovation.

Course Learning Outcomes (CLO)

Upon successful completion of this course, students will be able to:

-CLO1 – Understand and describe the historical trends and regulations impacting depository institutions. (BSBA Goals #1 and #5)

-CLO2 – Compute accounting and financial ratios and analyze the performance of commercial banks. (BSBA Goals #1 and #5)

-CLO3 – Understand management techniques of non-interest income and expenses. (BSBA Goals #1 and #5)

- CLO4 – Understand how to price fixed-income securities and compute duration. (BSBA Goal #1)
- CLO5 – Understand how to perform interest rate risk assessments by computing GAP, earning sensitivity, duration GAP and EVE sensitivity analyses. (BSBA Goal #1)
- CLO6 – Understand the different sources of funding and their costs. (BSBA Goals #1 and #5)
- CLO7 – Understand how to analyze and manage liquidity risks. (BSBA Goals #1 and #5)
- CLO8 – Understand how to analyze and manage solvency risks. (BSBA Goals #1 and #5)
- CLO9 – Understand how to evaluate commercial loan requests and manage credit risk. (BSBA Goals #1 and #5)

Required Texts/Readings

Required Textbook: Timothy W. Kock and S Scott MacDonald (KMCD) “**Bank Management**”, **8th edition**, Cengage Learning.

ISBN13: 978-1-133-49468-3

See more at: <https://www.cengagebrain.com/shop/ProductDisplay?langId=-1&storeId=10151&catalogId=10057&productId=606505>

Other Readings

Class handouts, to be distributed via CANVAS.

Other equipment / material requirements

It is **necessary** that you have a **financial calculator** to use throughout the course. **Bring your calculator to each class!** Many textbook problems require complex arithmetic operations, and a financial calculator is necessary to solve these problems efficiently. This is especially true for exams! Students can elect any financial calculator for the class; nevertheless, I personally recommend you use the **Texas Instrument BA II Plus**

Course Requirements and Assignments

SJSU classes are designed such that in order to be successful, it is expected that students will spend a minimum of forty-five hours for each unit of credit (normally three hours per unit per week), including preparing for class, participating in course activities, completing assignments, and so on. More details about student workload can be found in [University Policy S12-3](http://www.sjsu.edu/senate/docs/S12-3.pdf) at <http://www.sjsu.edu/senate/docs/S12-3.pdf>.

The scheduled course contact hours are in compliance with the required course credit hours (<http://info.sjsu.edu/web-dbgen/narr/catalog/rec-13692.14082.html>) and the

required course culminating experience (<http://info.sjsu.edu/web-dbgen/narr/catalog/rec-13692.14089.14090.html>).

Attendance is not mandatory. Nevertheless, each student is expected to attend all scheduled class meetings for the entire duration of the class meeting. An attendance sign-up sheet may be circulated each class period but not for grade. A consistent attendance is essential for your performance in this course. Many students find finance concepts difficult to grasp. Missing classes will only make the process of absorbing this material more difficult. I also present material in class that may not be found in the text. If you find yourself falling behind or you are having problems with the material, I encourage you to come to see me during my office hours. In addition, remember that your classmates can be a very valuable resource. Ask them questions, share your thoughts and doubts, study with them, and collaborate with them when solving the problems at the end of the chapters in the textbook.

There will be three in-class exams given during the semester: **two Mid-Term Exams and one Final Exam**. In addition to these written exams, there will **four in-class short Quizzes** and **two Team Assignments**. The exams (Mid-Terms and Final) are based on the assigned readings, lectures, cases and homework problems as indicated during the class sessions. The Final Exam is comprehensive and tests all the material covered in the course. The Quizzes will contain six multiple choice questions each and are intended to verify a regular course involvement and basic understanding of the material. The Team Assignments will include case studies and/or projects prepared by the instructor. **A Financial Calculator is necessary during examinations.**

For the Team Assignments, each team must be composed of 4 students (NO exceptions unless there is an insufficient number of students, in which case at most three teams will have 3 students). The teams must be formed by the beginning of the class on **Wednesday, September 27**. It is the student's responsibility to make sure he/she is in a team and has the contact information of the teammate. The assignments will involve mostly empirical work. Detailed explanations of the team assignment will be posted on Canvas a few weeks after the beginning of the semester. The goals of the Team Assignments are to gain exposure to real-world data and develop analytical skills.

Grading Information

Grading weights:

- Mid-Term Exam One	20%
- Mid-Term Exam Two	20%
- Final Exam	25%
- Quizzes	15%
- Team Assignments	20%

There will be no possible make-up exam for the Mid-Term Exams. If you miss one scheduled Mid-Term exam, you must notify me as soon as possible, and provide a documented reason for your absence. If I deem that your reason is sufficient to warrant

an absence from the exam, the weight of the missed Mid-Term Exam will be added to the Final Exam (thus, your final exam score will count toward 45% of your total course grade average). If I do not consider your excuse sufficient to warrant an absence and you fail to take the exam, you will be assigned a grade of zero.

If you already benefited from an excused absence for the Mid-Term Exam One and then you are also absent for the Mid-Term Exam Two, independent of the reason for your second absence, you will receive a grade of zero in the Mid-Term Exam Two.

The Quizzes will be administered either at the beginning or at the end of the class session. Each quiz will contain six multiple choice questions and will last 10-15 minutes. Of the four scheduled quizzes the lowest score will be dropped, so that only the three highest scores will be included in the computation of the overall course grade. If you miss one of the quizzes, then the missed quiz will count as the “lowest score quiz” and will not impact your grade. However, if you miss a second quiz, you must notify me as soon as possible, and provide a documented reason for your absence. If I deem that your reason is sufficient to warrant a second quiz absence, then the weight of the missed quiz will be equally added to the weights of the two other quizzes. If I do not consider your excuse sufficient to warrant an absence from the second quiz, and you fail to take the test, you will be assigned a grade of zero. Any additional absence during a quiz day, independent of the reason, will yield an automatic grade of zero.

Late team assignments will not be accepted and will be awarded a grade of zero.

NOTE that [University policy F69-24](http://www.sjsu.edu/senate/docs/F69-24.pdf) at <http://www.sjsu.edu/senate/docs/F69-24.pdf> states that “Students should attend all meetings of their classes, not only because they are responsible for material discussed therein, but because active participation is frequently essential to insure maximum benefit for all members of the class. Attendance per se shall not be used as a criterion for grading.”

Course Letter grades are awarded according to the following scale:

Percentage	Grade
97% and above	A+
96% - 93%	A
92% - 89%	A-
88% - 86%	B+
85% - 82%	B
81% - 79%	B-
78% - 76%	C+
75% - 72%	C
71% - 69%	C-
68% - 66%	D+
65% - 62%	D
61% - 59%	D-
below 59%	F

Bonus Points:

(1) The CBFS, in collaboration with the SJSU Alumni Association and Technology Credit Union, is hosting a Networking workshop, **Networking Success from the Executive Suite**, for all SJSU students on **Wednesday, March 21, 4:30PM, in the Student Union Ballroom**. The event will include a panel and a networking workshop and will represent a great opportunity to meet several SJSU alumni while improving networking skills. Participating alumni work for some of the most respected Silicon Valley firms.

BUS 171B students who register AND attend the Networking event will receive **3 BONUS points that will be added to the grade of the Mid-Term Exam Two**. In order to receive the bonus points, students must do the following:

- a) **Register** for the Networking Success from the Executive Suite event **by 6:00PM on Wednesday, March 7** at the following address:
<http://bit.ly/sjsunetworking2018>
- b) **Check-in** at the registration desk of the Student Union Ballroom before 4:15PM **AND attend the event**. (Business Casual attire is required)

(2) In order to encourage participation in club activities related to Financial Services, students who can prove their attendance/participation during the semester to **at least 5 events organized by the Banking and Investment Association (BIA) will receive 3 BONUS points that will be added to the grade of the Final Exam** (company visits DO count toward the five events but social events DO NOT count toward bonus points). In order to verify the attendance/participation to the BIA's events, a sign-up sheet will be

provided at the beginning of such events. If a student cannot prove his/her participation in at least 5 events for the BIA, NO bonus points will be awarded. If a student attends less than 5 events NO bonus points will be granted. Of course, in order to attend the meetings each student must become a BIA member and pay the membership fees.

Note that “All students have the right, within a reasonable time, to know their academic scores, to review their grade-dependent work, and to be provided with explanations for the determination of their course grades.” See [University Policy F13-1](http://www.sjsu.edu/senate/docs/F13-1) at <http://www.sjsu.edu/senate/docs/F13-1.pdf> for more details.

Classroom Protocol

Lucas College and Graduate School of Business: Program Goals and Class room policy
<http://www.sjsu.edu/cob/Students/policies/index.html>

University Policies

Per University Policy S16-9, university-wide policy information relevant to all courses, such as academic integrity, accommodations, etc. will be available on Office of Graduate and Undergraduate Programs’ [Syllabus Information web page at http://www.sjsu.edu/gup/syllabusinfo/](http://www.sjsu.edu/gup/syllabusinfo/)”

Consent for Recording of Class and Public Sharing of Instructor Material

[University Policy S12-7](http://www.sjsu.edu/senate/docs/S12-7.pdf), <http://www.sjsu.edu/senate/docs/S12-7.pdf>, requires students to obtain instructor’s permission to record the course:

- “Common courtesy and professional behavior dictate that you notify someone when you are recording him/her. You must obtain the written instructor’s permission to make audio or video recordings in this class. Such permission allows the recordings of any class session during the semester to be used for your private, study purposes only. The recordings are the intellectual property of the instructor; you have not been given any rights to reproduce or distribute the material.”
 - In classes where active participation of students or guests may be on the recording, written permission of those students or guests should be obtained as well.
- “Course material developed by the instructor is the intellectual property of the instructor and cannot be shared publicly without his/her approval. You may not publicly share or upload instructor generated material for this course such as exam questions, lecture notes, or homework solutions without instructor consent.”

BUS1 171B – Spring 2018 Tentative Course Schedule

This is a tentative course schedule that might subject to change with fair notice by the instructor. Any change to the schedule will be communicated by the instructor in class or via email.

Class Dates	KMcD Chapters and in-class Case Studies	Suggested Homework, Quizzes, and Team Assignments Deadlines
1/24, 1/29	1 – Banking and the Financial Services Industry	Questions: 1-8
1/31, 2/5	2 – Government Policies and Regulations	Questions 1-14
2/7 - 2/21	3 – Analyzing Bank Performance 10 – Funding the Bank (pp. 370-374 and 379-390- 2/21 – No lecture after Quiz 1.	Questions: 1-15 Questions: 1, 2, 6, and 16 2/21 - Quiz 1 Chapters 1 and 2
2/26, 2/28	4 – Managing Noninterest Income and Noninterest Expense	Questions: 1-12 2/28 – Quiz 2 Chapter 3
3/5 - 3/14	6 – Pricing Fixed-Income Securities	Questions: 1-7 and 9-25
3/19	<u>Mid-Term Exam One</u>	<u>Chapters 1-4</u>
3/21 - 4/4	7 – Managing Interest Rate Risk	Questions: 3-8 and 11-15 3/21 - Quiz 3 Chapter 6
3/23	<u>No Class</u>	Team Assignment #1 due by 10:00AM
4/9 - 4/16	8 – Managing Interest Rate Risk: Economic Value of Equity	Questions: 1-12
4/18, 4/23	10 – Funding the Bank (pp. 365-370, 374-378, and 390-405)	Questions: 3-5, 8-15, and 17-20
4/25	<u>Mid-Term Exam Two</u>	<u>Chapters 6-8</u>
4/30, 5/2	11 – Managing Liquidity	Questions: 1-12
5/7, 5/9	12 – The Effective Use of Capital	Questions: 1-15 Problems I & II

		5/9 – Quiz 4 Chapters 10 and 11
5/14	13 – Overview of Credit Policy and Loan Characteristics	Questions 1-20 and Problem I
5/15	<u>No Class</u>	Team Assignment #2 due by 10:00AM
5/16	<u>Final Exam (9:45AM – 12:00PM)</u>	ALL Chapters