



AREC 408 – Agricultural Finance Spring 2016

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Office Hours: Wednesday 1 - 3 pm or by appointment. Drop-ins are welcome!

Class Meeting time and location

Behavioral Science Building 107; 8:00 to 9:15 AM; Tuesday / Thursday (Echo recordings will be available after the class meetings).

Course Description

This course is designed to cover different aspects of monetary affairs management of agribusiness and agricultural production enterprises. Emphasis will be given to credit institutions, procurement, investment, and management.

Class Organization

The class is organized as a lecture-discussion. Student-instructor interaction through class participation is expected and it is critical in understanding the materials of the course. Lecture notes will be made available to the students. As MS Excel will be used for financial calculations, all Excel templates will be uploaded on Canvas. Students are encouraged to bring a laptop to Excel-based lectures. Problem sets and other Assignments will be provided on Canvas. There will be 6 homework assignments, 3 exams (no cumulative final) and a capital budgeting project.

Course Prerequisites AREC 305/EA 305 Enterprise Analysis

Recommended Text Barry, P.J, and P.N. Ellinger. *Financial Management in Agriculture*, 7th Ed. Pearson Prentice Hall, Upper Saddle River, NJ: 2012.

Learning Objectives

Upon the completion of this course, students will have acquired the ability to

1. analyze and communicate the financial standing of an agribusiness firm.
2. analyze a firm's financial information via indicators of performance
3. use changes in performance for the manager's allocation of resources.
4. use strategically debt financing for a firm's growth and solvency.
5. characterize financial risk in a firm and developing risk mitigation strategies.
6. understand the credit evaluation process from the lender's perspective.
7. thinking critically with regard to financial decision-making.
8. use technology, computers and quantitative models to make agricultural business decisions.

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Grading

Grades will be assigned on a 1000 points basis, with scores that are divided as follows:

Exams (3; 200 points each)	60%
Homework (6 total; 5 graded, 60 points each)	30%
Capital Budgeting Project	10%
Total	100%

Tentatively, final grades will be assigned according to the following scheme: A = 94-100%; A- = 90 – 93%; B+ = 86 – 89%; B = 82-85%; B- = 78–81%; C+ = 74–77%, C = 70-73%; C- = 66-69%
D= 60-66%; F = <60%.

Individual Effort (600 points)

Tests (600 points; 3 tests worth 200 points each): The tests will be held in class in the dates specified in the course calendar. Each exam will last a maximum of 75 minutes. The third test will not be comprehensive; this course will not have a final exam during finals' week. Each exam will consist of multiple choice questions, short answers, and problems. The exams are designed to be closed book, closed notes: the use of calculators and calculators only will be allowed during the three tests (no cell phones, smartphone, tablets or other devices that can be connected to the internet). You will be asked to turn off and store your cellular phone before each test – no cell-phone use will be allowed during the tests. The use of a cell phone or tablet during any of the tests may result in failing the test. Make up exams will only be allowed for students who have contacted the instructor before the day of the exam and have a legitimate and verifiable excuse and/or if verifiable extenuating circumstances are in place: in either case, it is strongly advised for the student to contact the instructor in advance.

Team Effort (400 points)

A significant portion of the grade for this course will be determined by group assignments and a small group project. You will be divided into groups of four to five individuals each. Each team must have a team leader. Team members are supposed to participate actively in solving the problems of the assignments and in the development of the capital budgeting project. There will be two peer evaluations where each team member will provide

Assignments (300 points): There will be 6 assignments, worth 60 points each (i.e. each assignment will count for 6% of the final grade). The assignment with the lowest grade will be dropped (that is your team will receive grades only for the five assignments with the highest grades). Assignments are due by 8:00 a.m., following the schedule indicated in the course calendar. Note: each assignment is due ONE WEEK after it has been assigned. Assignments must be submitted via Canvas. It is every team's responsibility to: 1) complete your work timely (it is advisable not to wait until the last day to start working on each assignment), 2) verify that the team has access to the necessary software to complete your work, 3) ensure access to a working internet connection, and 4) use a browser compatible with Canvas. Late assignments

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will be accepted with a 33% daily penalty. This means that missing the deadline will automatically result in a 33% penalty; submitting the assignment two days late will result in a 66% penalty; assignments submitted later than 48 hours after the deadlines will not be graded. Make up assignments will *NOT* be allowed.

Capital Budgeting Project (100 points): Each group will be responsible for completing a capital budgeting project. This project will use time value of money concepts and investment analysis to determine the economic viability of an agricultural investment as chosen by the group. Teams are encouraged to discuss their topic with the instructor to ensure the project will meet the necessary requirements. Additional information will be provided as the class proceeds. For the intermediate and final deadline please see the course schedule.

Peer evaluations: your group scores will depend highly on each team member contribution to the group's success. In order to deter free riding behavior, we will use a peer evaluation form, which will allow to evaluate yourself and each one of your teammates, assigning a score between 1 and 10. Peer evaluations will occur at intermediate stage to assess the contribution to assignments 1 and 2, 3 and 4; 5 and 6, and the capital budgeting project. The average peer evaluation score, rounded in excess to the closest unit, will be used to weight the score of the assignment and project of your team to obtain your individual scores.

➤ ***Example:*** assume your group's cumulative grade for assignments 1-2 is 100 (out of the 120 points available), and your average peer-review score is 8.3. 8.3 will be approximated to 9 resulting in a weight of 0.9 (9/10). Your score is then obtained multiplying 100 (your group's cumulative score) times your weight (0.9). Your assignments 1 and 2 overall score will be 80 ($100 \times 0.9 = 80$).

Academic Integrity

This course will adhere to the CSU Academic Integrity Policy as found in the General Catalog, and the Student Conduct Code both available at <http://catalog.colostate.edu/general-catalog/policies/students-responsibilities/>. At a minimum, violations will result in a grading penalty in this course and a report to the Office of Conflict Resolution and Student Conduct Services. ***Any students with disabilities who need accommodation in the course are encouraged to speak with the instructor as soon as possible to make appropriate arrangements for these accommodations. Veterans and student soldiers with special circumstances or who are activated are encouraged to notify the instructor in advance.***

CSU Honor Pledge: Academic integrity lies at the core of our common goal: to create an intellectually honest and rigorous community. Because academic integrity, and the personal and social integrity of which academic integrity is an integral part, is so central to our mission as students, teachers, scholars, and citizens, I will ask that you affirm the CSU Honor Pledge as part of completing your work in this course. *While you will not be required to affirm the honor pledge, you may be asked to affirm the following statement at the start of your exams:*

"I have not given, received, or used any unauthorized assistance."

Further information about Academic Integrity is available at <http://learning.colostate.edu/integrity/>

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Tentative Course Schedule / Schedule of Activities

<i>Date</i>	<i>Topics</i>	<i>Readings</i>	<i>Activities – Deadlines</i>
Jan. 19 Tue	Introduction, Review of Financial Statements	B&E Ch 1, 2	
Jan. 21, Thurs			Groups formed
Jan. 26, Tue			Assignment 1
Jan. 28, Thurs	Financial Analysis, Control, Financial Planning and Feasibility Analysis	B&E Ch 3-4	
Feb. 2, Tue			Assignment 1 Due
Feb. 4 Thurs			Assignment 2
Feb. 9, Tue	Review session – First Peer Evaluation		Assignment 2 Due
Feb. 11, Thurs	Exam I (chapters 1, 2, 3 and 4)		
Feb. 16, Tue	Time Value of Money	B&E Ch. 8	Exam I Back
Feb. 18, Thurs			Assignment 3
Feb. 23, Tue	Capital budgeting (1)	B&E Ch 9, 10,11	
Feb. 25, Thurs			Assignment 3 Due
Mar. 1, Tue	Capital Budgeting (2)	B&E Ch 9, 10,11	Assignment 4
Mar. 3, Thurs			
Mar. 8, Tue	Review Session – Second Peer Evaluation		Assignment 4 Due
Mar, 10 Thurs	Exam II (chapters 8, 9, 10 and 11)		
Mar. 15, Tue	Spring Recess		
Mar. 17, Thurs	Spring Recess		
Mar. 22, Tue	Credit Risk Assessment, Capital Structure and Financial Risk	B&E Ch 5, 6	Exam II back
Mar. 24, Thurs			Capital Budgeting Project Idea / Draft
Mar. 29, Tue	Risk Management and Asset Valuation (1)	B&E Ch 7, 12,13	
Mar. 31, Thurs			Assignment 5
April 5, Tue	Risk Management and Asset Valuation (2)	B&E Ch 7, 12,13	
April 7, Thurs			Assignment 5 Due
April 12, Tue	Loan Pricing and profitability analysis	B&E Ch 17	
April 14, Thurs			
April 19, Tue	Financial Intermediaries in Agriculture	B&E Ch 18	Assignment 6
April 21, Thurs			
April 26, Tue	Review session – Third Peer Evaluation		Assignment 6 Due
April 28, Thurs	Exam III (chapters 5, 6, 7, 12, 13, 17, 18)		
May 3, Tue	No Lecture - Feedback Session		Exam III back
May 5, Thurs	Deadline to submit Capital Budgeting Project (no lecture) – Fourth Peer Evaluation		