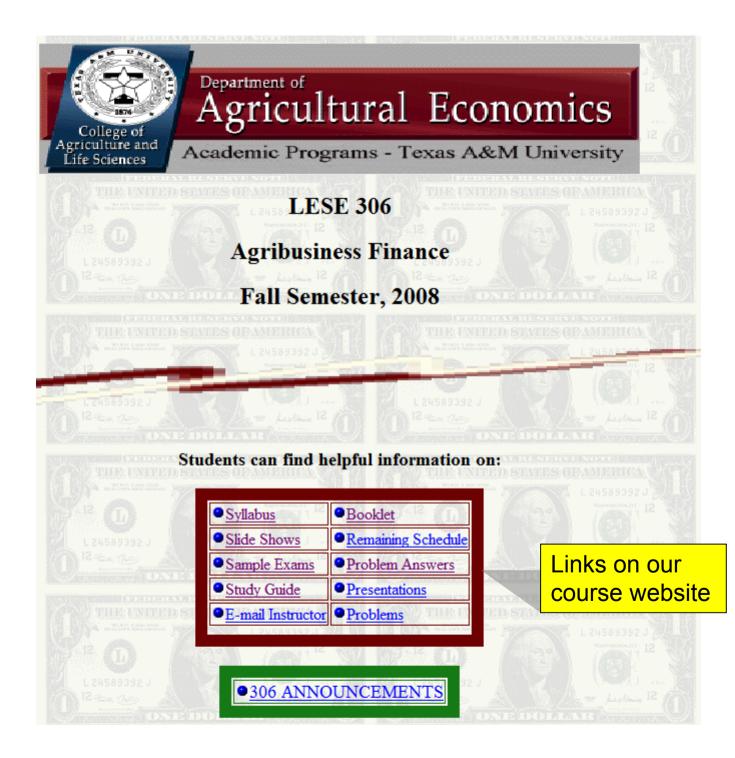
Introduction

Agribusiness Finance LESE 306 Fall 2008

Agricultural Economics agecon.tamu.edu
John B. Penson, Jr. Regents Professor and Stiles Professor of Agriculture in the Department of Agricultural Economics at Texas A&M University. Received his Ph.D from the University of Illinois. Dr. Penson conducts research in the areas of finance and the macroeconomics of agriculture. Special Focus: Credit analysis, macroeconomics of agriculture.
Phone: (979) 845-4060 E-mail: ipenson@tamu.edu Classes Taught: AGEC 430 - Macroeconomics of Agriculture and LESE 306 - Agribusiness Finance.

My home page and email address



Course Syllabus LESE 306 Agribusiness Finance Fall 2008

Instructors:

Dr. Doo Bong Han Head, Department of Food and Resource Economics Korea University

Dr. John B. Penson, Jr. Regents Professor and Stiles Professor of Agriculture Department of Agricultural Economics Texas A&M University

Website for Course Information:

http://agecon2.tamu.edu/people/faculty/penson-john/306LESE/pens306.htm

LESE 306 course information can be found throughout the semester by clicking on the above web link. We will make announcements when new information is posted on this site and the class homepage at EKU.

Course Requirements:

There will be two examinations in this course: (1) a mid-term exam during midterm exam week, and (2) a final exam given during finals week. The final exam will be comprehensive in scope.

In addition to these two exams, you will be required as a member of a team to make one formal presentation before the class and submit a brief summative report to Dr. Han at the end of the semester. This presentation will be based on your team's analysis of an investment opportunity, including its economic and financial feasibility under conditions of risk. More specifics about presentation requirements are discussed later in this syllabus.

Grading:

There will be 500 points possible in this course. This total is determined as follows:

Team presentation	100 points	
Mid-term exams	100 points	
Pop quizzes	50 points	
Class participation	50 points	
Final exam	200 points	
Total	500 points	

You can always determine your grade in this class by dividing the total points achieved on a particular date by the total possible points available at that time. Final grades according to the following distribution:

- A+ 95 100 percent
- A 90 94 percent
- B+ 85 89 percent
- B 80 84 percent
- C+ 75 79 percent
- C = 70 75 percent
- D+ 65 69 percent
- D 60-64 percent
- F Less than 60 percent

Course Outline:

The general objective of this course is to cover basic concepts in agribusiness finance, including the application of managerial accounting, understanding economic growth determinants, the valuation of investment opportunities, and the financing of these opportunities. The order of topics covered is:

Part 1: Managerial Accounting Fundamentals

- Basic structure of key financial statements
- Financial statement linkages
- Measurement, interpretation and application of key financial indicators
- Cost accounting concepts
- Enterprise and the master budgets
- Historical and comparative analysis
- Short term pro forma cash flow analysis

Part 2: Economic Growth Concepts

- Optimal current input and product combinations
- Long run expansion, the long run planning curve and size economies
- Economic growth model and constraints to growth

- Cost of capital and optimal capital structure
- Economic externalities
- Market equilibrium fundamentals
- Business forecasting methods
- Simulation of forecasting models

Part 3: Valuing Investment Opportunities

- Time value of money and selected applications
- Capital budgeting methods
- Measurement of annual net cash flows and terminal value
- Purchase of depreciable assets and real estate
- Optimal asset replacement age and lease versus buy
- Pro forma sensitivity analysis
- Risk-return preference function
- Business and financial risk premiums
- Ranking investment opportunities

Part 4: Financial Markets and Sources of Capital

- Financing investment projects
- Internal and external sources of capital
- Financial institutions and financial intermediation
- Lender credit standards and credit scoring
- Credit analysis a lender's perspective

Part 5: Team Presentations

- Class divided into teams comprised of 4-5 students
- Develop features of a startup business, including the product(s) it will sell and the expected annual costs and returns based on topics covered in class.
- Assess the economic and financial feasibility of this new business under expected market conditions.
- Assess the sensitivity of this feasibility to varying business conditions related to changing externalities
- Prepare a Power Point presentation demonstrating the feasibility of investment to the rest of the class.
- A 2-3 page executive summary describing the results of your feasibility analysis is due last day of class.

Other issues:

- No textbook
- Handouts dealing with each topic will be available on our website. You are encouraged to print them and bring them to class.