

AUBURN UNIVERSITY  
RAYMOND J. HARBERT COLLEGE OF BUSINESS  
DEPARTMENT OF FINANCE  
FINC 4700: MANAGEMENT OF FINANCIAL INSTITUTIONS  
SPRING 2014

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**Instructor:** Dr. Damion McIntosh CFM CMA CPA  
**Preferred email address:** [drm0018@auburn.edu](mailto:drm0018@auburn.edu)  
**Office location:** 307 Lowder Business Building  
**Office telephone:** (334) 844-5368  
**Office hours:** MW 3:00 pm – 4:00 pm or by appointment (made via email)  
**Class times:** TR 11:00 am – 12:15 pm  
**Class location:** 033 Lowder Business Building

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### Course Objectives and Description

FINC 4700 facilitates an understanding of the risks to which financial institutions are exposed and the risk management tools in place for financial institutions to identify, measure, monitor and control their risk exposures. This course emphasizes risk management in deposit taking financial institutions, particularly commercial banks. As such, the course principally covers financial institutions' exposures to capital, credit, interest rate, liquidity and market risks. In this course, we will also show how derivative arrangements, such as forwards and futures, and other option arrangements can be utilized to hedge risk exposures.

A strong background in the prerequisite course in Financial Markets and Institutions, as well as the fundamentals of accounting, algebra, finance, and statistics are essential for success in this course.

### Recommended Text

Saunders, A., and M. M. Cornett, **Financial Institutions Management: A Risk Management Approach**, 7th edition, McGraw-Hill Irwin, 2011, ISBN: 978-0-07-353075-8.

### Financial Calculator

Each student is required to have a financial calculator, preferably a Texas Instrument Base II financial calculator. In addition to concept-based questions, a large portion of homework questions and exams includes quantitative-based questions which necessitate the use of a financial calculator. Students will not be allowed to share calculators in exams. Other devices capable of storing/retrieving text/character will not be allowed for use in exams.

### Grading Structure

Grade Range		Letter Grade
90% – 100%	-	A
80% – <90%	-	B
70% – <80%	-	C
60% – <70%	-	D
<60%	-	F

**Grading Allocation Points**

EXAMINATION 1	-	20%
EXAMINATION 2	-	30%
EXAMINATION 3	-	25%
HOMEWORK	-	25%
<b>TOTAL</b>		<b>100%</b>

**Exams**

Each exam will consist of any combination of true/false, multiple choice, work-out problems and/or short answer questions, which tests theoretical concepts and their applications. All exams are mandatory. Only students who are registered for this course and are able to show valid picture identification will be allowed to sit exams. Each exam will cover the lectures specified in the tentative schedule provided in this syllabus.

**Homework**

Ten (10) homework assignments will be issued during the course. Homework assignments will be issued in class and due at the beginning of the next scheduled class at 11am. Homework assignments should be completed individually and should not be shared or discussed with other students. Each homework assignment will consist of any combination of true/false, multiple choice, work-out problems and/or short answer questions, which tests theoretical concepts and their application. Homework assignments are mandatory.

**Extra Credit**

Extra credit may take any form as determined by the instructor and is allocated at the instructor's discretion. Extra credit activities may include additional assignments (in or out of class) and general class participation.

Class participation is strongly encouraged. In fact, class participation is integral in successfully achieving the objectives of this course. The appropriate protocol however must be applied. Therefore, each student must raise his/her hand to indicate his/her intention to participate in class and may proceed to do so only when acknowledged by the instructor.

**Attendance**

Although attendance is not included in the final scores for this course, regular attendance and attention during classes will assist with a student's successful completion and understanding of this course. "Do-overs" or "Re-do's" will not be provided to students who are absent from exams or classes without prior approval from the Instructor (see conditions below). Materials distributed in class however, will be issued to students who are absent from classes with prior approval from the Instructor.

Students should request prior approval from the Instructor for late arrivals, early departures, and absences from classes in which homework is issued. Students who are approved for late arrival/early departure from classes should sit close to an entrance/exit to minimize disruption.

Prospective absences as a result of university-scheduled activities should be brought to the attention of the Instructor by the second week of the semester. Otherwise, a student should notify the Instructor as soon as possible of a prospective absence that will stem from a university-scheduled activity.

Students who will be absent from an exam, with prior approval from the Instructor, due to a university-scheduled activity, will be required to sit the exam prior to their departure for this activity, at a date and time to be determined by the Instructor. This earlier exam may not be in the same format as the scheduled exam.

Students who are absent from an exam, without prior approval from the Instructor, due to a university-scheduled activity, will be required to sit the exam upon their return from this activity, at a date and time to be determined by the Instructor. A student will be allowed to sit this exam only if the Instructor is notified of the reason for the absence within 24 hours of the exam. This later exam may not be in the same format as the scheduled exam.

Students who are absent from an exam or class in which homework is issued due to illness, must also be too ill to attend other classes, work or any social event. (A scheduled dental or other similar appointment does not meet this definition. Thus, students should avoid scheduling appointments for the exam dates specified on the tentative schedule or during regularly scheduled class time). Only a Doctor's note can be accepted to excuse a student from an exam or class in which homework is issued. A Doctor's excuse is only valid if the Doctor examined the student in person at the time of his/her illness. The Doctor's excuse must be written and should indicate that the student visited the Doctor in person and is unable to attend any class on the day of the exam or class in which homework is issued. The excuse must also contain the Doctor's name and contact number as the excuse will be verified. The Doctor's note must be submitted to the Instructor on the date the note permits the student to return to classes. Once the Doctor's note is verified, the student will be allowed to sit the exam or make-up homework assignment at a date and time to be determined by the Instructor. This later exam may not be in the same format as the scheduled exam. The make-up homework assignment will comprise a quiz on the specified lecture topic.

Students who are absent from an exam or class in which homework is issued due to an emergency, must notify the Instructor within 24 hours after the exam or class in which homework is issued and present verifiable proof of the emergency during the next scheduled office hour. Once the proof is deemed acceptable by the Instructor, the student will be allowed to sit the exam or make-up homework assignment at a date and time to be determined by the Instructor. This later exam may not be in the same format as the scheduled exam. The make-up homework assignment will comprise a quiz on the specified lecture topic.

### **Academic Dishonesty**

There is a zero tolerance policy for academic dishonesty in this course. Students are expected to do all exams individually, without giving or receiving help, and without the use of unauthorized aids in any form. All suspicions of academic dishonesty will be referred to the Academic Disciplinary Committee and the applicable policy of the university will be strictly applied. All students are encouraged to familiarize themselves with the university's policy regarding academic dishonesty.

### **Special Accommodations**

Students who may require special accommodations during the course must make an appointment with the Instructor during the first or second week of the semester to discuss these needs so that instruction, evaluation, and materials can be adapted to facilitate equal participation and involvement by such students in the course. Students who may need special accommodations must first contact the Office of Accessibility in 1228 Haley Center or call 844-2096. All students requiring special accommodations must be processed by the Office of Accessibility.

**Diversity**

Diversity at Auburn University encompasses the whole human experience and includes such human qualities as race, gender, ethnicity, physical ability, nationality, age, religion, sexual orientation, economic status, and veteran status. These and other socially and historically important attributes reflect the complexity of our increasingly diverse student body, local community, and national population. Auburn University recognizes and values the considerable educational benefits emanating from diversity as we prepare our students for life and leadership in a multicultural world. Students who interact with and learn about people from a variety of backgrounds are more apt to understand, appreciate, and excel in the community they inhabit. In this context, diversity is aligned with Auburn University's land grant mission of providing its students with a superior education in service to the needs of Alabama, the nation, and the world. You may contact the Office of Diversity at [www.auburn.edu/diversity](http://www.auburn.edu/diversity) for further information.

**Tentative Course Schedule** (subject to change at the Instructor's discretion)

<b>Lecture</b>	<b>Area to Cover</b>
	<b>Theory of Financial Institutions</b>
1	- The Roles of Financial Institutions
2	- Financial Services Firms
3	- Financial Institution Risks
	<b>Risk Identification and Measurements</b>
4	- Financial Statement (Risk) Analysis
5	- Credit Risk: Individual Loan Risk
6	- Credit Risk: Loan Portfolio and Loan Concentration Risk
7	- Interest Rate Risk I
8	- Interest Rate Risk II
9	- Market Risk
10	- Liquidity Risk
11	- Off Balance Sheet Risk
	<b>Risk Management</b>
12	- Capital Risk
13	- Futures and Forwards
14	- Dodd-Frank Act

STUDENTS ARE NOT ALLOWED TO TAPE-RECORD LECTURES WITHOUT THE INSTRUCTOR'S PERMISSION

**Exam Dates to Remember**

<b>EXAM</b>	<b>DATE</b>	<b>TIME</b>	<b>AREAS TO COVER</b>	<b>LOCATION</b>
1	February 13, 2014	11:00am – 12:15 pm	Lectures 1 – 4	TBA
2	March 27, 2014	11:00am – 12:15 pm	Lectures 5 – 8	TBA
3	May 2, 2014	12:00noon – 2:30 pm	Lectures 9 – 14	033 Lowder