

**SPRING
2009**

AAEC 4316 – AGRICULTURAL FINANCIAL ANALYSIS

Syllabus • General Course Information • Course Outline

INSTRUCTOR: Dr. Phillip Johnson
OFFICE: 310 Ag Sc Bldg.
PHONE: 742-0261 ext. 237
E-MAIL: phil.johnson@ttu.edu

OFFICE HOURS: 11:00-12:00 TR or by appointment

I have an open door policy, so stop in to see me anytime. If I am unable to meet with you at that time we will schedule an appointment.

TIME & LOCATION: 9:30-11:00 a.m. TR, Ag Sc 308

TEXT: **Financial Management in Agriculture**, 6th Edition by Berry, Ellinger, Hopkin and Baker. Interstate Publishers, 2000.

Financial Guidelines For Agricultural Producers II. Farm Financial Standards Council, 1997. (Available online at <http://www.ffsc.org/html/guidelin.htm>)

Supplemental Text

Agricultural Financial Reporting and Analysis by Oltmans, Klinefelter, and Frey. Doane, 1992.

Additional readings will be handed out in class, placed on the web page, or placed in the Reference Room. Certain course materials will be provided on a password protected web site accessible through TTU WebCT.

COURSE OBJECTIVE AND LEARNING OUTCOMES: The objective of this course is to present principles and procedures in managing financial and credit resources. Topics such as financial statement preparation and interpretation, credit analysis, credit instruments, and financial theories relating to capital structure and investment analysis will be introduced with an emphasis for decision-making in borrowing/lending and financial management/analysis. Specific learning outcomes for students taking this course include:

- Be able to construct a set of integrated financial statements for an agricultural business.
- Be able to analyze financial condition and performance using financial criteria and measures.
- Be able to evaluate and analyze financial information for management and credit decisions.
- Understand the interrelationship between business and financial risk and demonstrate how risk management tools can be used to manage risk.

- After completing this course students will be able to apply financial analysis concepts to agribusiness management and credit management decisions. Students will also have an understanding of risk and how risk management tools may be used to manage a business's overall risk position.

ASSESSMENT OF LEARNING OUTCOMES: Learning objectives in this course will be assessed through exams, in-class application activities, graded and non-graded quizzes and homework, class discussion, and polling the class. These assessments will specifically assess students' learning with respect to the application of concepts and evaluation of results. A rubric rating approach using unacceptable, adequate and superior classifications will be used to assess the learning outcomes. The overall goal in this course is for the entire class to achieve on average an acceptable rubric rating for each of the specific learning outcomes.

CLASS ORGANIZATION: The class organization is lecture and discussion. High levels of participation are expected as your input will help shape the course to be of greatest value. Some additional materials will be provided in class. There will be homework assignments that parallel course materials to reinforce concepts and help identify weaknesses in lecture coverage and student comprehension. Several case studies will be assigned to further bring together the material into a decision based format.

CLASS ATTENDANCE: I will keep track of attendance throughout the semester, however attendance does not figure directly into your course grade. If you miss class, it is your responsibility to make-up any missed assignments. It is well established that class attendance will positively affect your grade.

CLASS PREPARATION: You are expected to come to class prepared by reading and doing relevant assignments prior to class. You are expected and encouraged to ask questions in class, be in class on time, and be prepared to discuss assigned topics.

INTERNET RESOURCES: A course web page will be maintained at:

http://www.aaec.ttu.edu/faculty/phijohns/AAEC_4316/index_new.htm

The course web page provides certain class materials, such as the syllabus, lecture notes, homework assignments, and spreadsheet files. You are encouraged to download the notes from the web page before the lecture. However, having the notes from the web does not substitute for class attendance. The notes are provided to make your class time more productive.

TESTS: Two mid-term exams will be given and a final exam. You will be responsible for all material assigned and covered since the previous exam. Tests are essay type and require a Blue Book.

Tentative exam dates are: Exam I - February 26 and Exam II - April 2. The final exam will be comprehensive and is scheduled for Thursday, April 30 at 7:30 a.m. to 10:00 a.m.

Calculators may be used for exams. Missed exams will be given a grade of zero unless adequate evidence is presented - preferably BEFORE the exam - that missing the exam cannot be avoided.

POLICY ON MISSED EXAMS: Missed exams will be given a grade of zero unless adequate evidence is presented - preferably BEFORE the exam - that missing the exam cannot be avoided. If you miss class and you have an official excuse (your Doctor or the Dean's office) you may make arrangements to makeup the exam.

HOMEWORK & QUIZZES: Homework assignments will be given over several topics. Homework assignment grades will be docked **5 points** for each day they are late. Failure to hand in homework assignments will result in a zero being given for that assignment. Short quizzes may be given covering material from previous classes and/or assigned material.

GRADING:

Exam I	25%
Exam II	25%
Homework, Quizzes and Case Studies	25%
Final Exam	25%
	100%

STUDENTS WITH DISABILITIES: Any student who, because of a disability, may require some special arrangements in order to meet course requirements should contact the instructor, as soon as possible to make necessary accommodations. Students should present appropriate verification from Disabled Student Services, Dean of Students Office.

ACADEMIC INTEGRITY: Any form of academic dishonesty (i.e. cheating, plagiarism) will not be tolerated. Refer to the Student Affairs Handbook, Part IX Code of Student Conduct.

CLASSROOM CONDUCT: **Talking and disrupting class will not be tolerated.** Turn off cell phones and pagers during lecture, do not read newspapers or other materials during class.

CLASSROOM RULES AND BEHAVIOR:

Department of Agricultural & Applied Economics

Students are expected to show respect to classmates, instructors, and especially guest speakers. Consistent with the stated assumptions and beliefs of Texas Tech University, the department has composed and the AAEC Student Association has endorsed the following set of rules for appropriate student classroom behavior.

1. Do not side talk during class meetings. Talking is disruptive to the instructor and to your fellow classmates.

Do ask questions and participate in class discussion.

2. Try to arrive for class on time. Leaving the classroom during class meetings can be disruptive, so keep this to an absolute minimum. Exceptions may occur for medical emergency, physiological urgency or situations where prior instructor approval has been granted.
3. Do not use (including viewing of) communication devices (phones, etc) during class meetings. All electronic devices should be silenced during class meetings.
4. Do not read/view other unassigned materials (newspapers, magazines, etc,) during class meetings.
5. Do not exhibit disruptive posture during class meetings. e.g. sleeping, slouching, laying, resting feet/head on furniture, etc.
6. If you use a notebook computer during class meetings, obtain instructor approval.

As stated above, these guidelines should be followed in every AAEC class meeting, and represent a minimum level of respect expected from AAEC students.

2009 SPRING SEMESTER CALENDAR

January 7	Classes begin
January 19	Martin Luther King Jr. Day (University holiday)
January 23	Last day to drop a course and receive a full refund
February 4	Last day to withdraw from the University and receive a partial refund
March 11	Last day to drop a course
March 16 - 22	Spring Break
April 1 – 16	Advance registration for summer and fall semesters
April 13	Day of no classes
April 22 – April 28	Period of no examination except make-up or lab exams
April 28	Last day of classes
April 29	Individual study day
April 30 - May 5	Final examinations for the spring semester
May 9	Commencement

COURSE OUTLINE

Introduction

Agricultural finance: definitions, scope, and current relevance.

Assignment: Chapters 1 and 2 in Financial Management in Agriculture, 6th Edition and appropriate sections of Financial Guidelines for Agricultural Producers

Financial Analysis, Planning, and Control

This section will cover financial statements and analysis.

Overview of financial statements as a system.

The balance sheet.

The income statement.

The statement of owners equity.

The statement of cash flows.

Financial Statement Analysis.

Assignment: Chapters 3 and 4 in Financial Management in Agriculture, 6th Edition and appropriate sections of Financial Guidelines for Agricultural Producers

EXAM I

Cash Flow Budgeting and Planning

Importance of cash flow and cash flow budgeting.

Cash flow planning - market, production, and investment planning.

The total plan and financial statement projection.

Agricultural Credit Management

This section will focus on agricultural credit management and analysis.

Sources of Agribusiness Credit

Financial and credit analysis of an agricultural business.

Performance Based Lending

Credit instruments and legal documentation

Credit scoring and risk rating

Assignment: Chapters 7, 15, 16, and 17 in **Financial Management in Agriculture**, 6th Edition

EXAM II

Risk Management

Business and financial risk.

Risk Management

Crop Insurance

Assignment: Chapters 6 and 8 in **Financial Management in Agriculture**, 6th Edition

Other Topics

Legal aspects of finance

Controlling farm land

Leasing

Assignment: Chapters 19, 12 and 13 in **Financial Management in Agriculture**, 6th Edition

FINAL EXAM

The instructor reserves the right to modify the course content as warranted by circumstances. The course outline of topics to be covered is a tentative plan that may be altered during the course of the semester. Dates indicated for the three exams scheduled during the semester are tentative and may be altered as needed.

AAEC 5318
FINANCE AND THE AGRICULTURAL SECTOR
SPRING 2009

AAEC 5318 is a graduate level course that is piggybacked with AAEC 4316. You will be expected to complete the same requirements as AAEC 4316. In addition, you will be required to complete a term paper on a finance related topic. The term paper will be due at the end of the semester and count 20% toward the final grade in the course. You will need to meet with me to discuss a topic for the paper.

AAEC 4316

AGRICULTURAL FINANCIAL ANALYSIS

Course Overview:

Agricultural Financial Analysis is a senior level course in financial analysis with a focus on agricultural operations. The course is basically divided into three sections: financial statement preparation and analysis, credit analysis, and risk and other financial management issues. The first part of the course focuses on the preparation of coordinated financial statements and the calculation of ratio analysis. The required text gives a complete overview of the preparation and analysis of financial statements and is based on the Farm Financial Standards Council Guidelines. A series of homework assignments are required to give students experience in preparing coordinated financial statements and doing a ratio analysis. A set of spreadsheet files based on the financial statement forms used in the text are provided on the course web page for students to download and use to complete the homework assignments.

The section of the course on credit analysis is designed to give students an application of financial statement analysis. Credit analysis is an applied use of financial statement information. I provide an overview of how lending institutions use credit analysis to make lending decisions. I try to have a loan officer from a local bank come give the class a description of the process used by their bank to analyze credit and give an overview of their job as a loan officer. A homework assignment is given on a credit analysis problem to allow students an opportunity to conduct an analysis and make a recommendation on the credit application.

The application of financial analysis in making management decisions is addressed with a case study regarding a decision to bring a son into the family farm. The focus of the case is to use financial information to help make a decision that many of the students may be involved with in their own family farming operations. I hope to introduce additional cases into the course that bring in the use of financial information in managerial decisions.

The concept and relationship of financial and business risk is introduced. Managing risk is an important aspect of business management.

Course Web Page:

I have incorporated a class web page into my teaching methods. The web page provides certain class materials which include the syllabus, lecture notes, homework assignments, and the spreadsheet files needed to complete the assignments. I encourage students to download the notes from the web page before the lecture. I have found that I can cover material on the screen using PowerPoint faster than they can write down the material in their notes, therefore, I provide most of my lecture notes on the web.

The spreadsheet files necessary to complete the homework assignments are on the web page. I also provide the completed assignments on the web to allow students can compare their results with the assignment key. Since the assignments build on each other it is necessary for the students to use the correct information from previous assignments. The web allows me to provide this information in a timely and efficient manner.