

Teaching/Learning Finance: Lab, Laptops, and Links

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Seniors in Financial Management should be acquainted with the tools for performing financial analyses. The challenge to their professors is to assist them in learning to select and integrate these tools as a financial analyst and a competent source of financial advice.

The course, Financial Theory and Practice at Abilene Christian University, has been developed with the purpose that students can both understand financial theory and do financial analysis. The goal of the course is for the students to develop competence and confidence through preparation. We subscribe to Louis Pasteur's idea: Chance favors the prepared mind. During the semester students analyze cases in financial management and develop spreadsheets using Microsoft Excel to perform the quantitative analyses.

Recognizing that technology will grow in the workplace, we have tried to incorporate considerable technology in the teaching and learning process. This paper describes the course content and the virtual environment that we use in such a learning experience.

The content of the course has been selected to provide students with a strong base in key topics in both personal and corporate finance. Five cases have been prepared to cover personal finance topics, including retirement planning, mortgage and credit card debt, and interest rates. Six cases have been selected to cover the key corporate finance topics, including capital budgeting and financial forecasting. One case is detailed here to illustrate what we seek from each case.

Task:

Determine the advisability of converting a traditional Individual Retirement Account (IRA) to a Roth IRA.

Assumptions:

- 1) The average annual rate of return on savings will be 8%.
- 2) The marginal tax rate on ordinary income is 28% and the capital gains tax rate is 20% and these will remain unchanged.
- 3) Sufficient funds are available in a taxable account to cover the tax liability in the event of a conversion. These funds are invested in a stock mutual fund, the total yield from which comprises dividends, realized capital gains and unrealized capital gains.

Learning Objectives:

- 1) Understand both traditional and Roth IRAs and how to evaluate the consequences of converting from one to the other.
- 2) Be able for the students to compare their analysis with that of the Aexperts@ on the web sites of various financial service organizations.
- 3) Develop a competence and confidence to assist friends and family that hold traditional IRAs.
- 4) Understand the workings of a stock mutual fund and, in particular, the concept of tax efficiency.
- 5) Become familiar with some Excel functions that have not been introduced earlier in the curriculum and are not widely discussed in books. This case introduces the OFFSET function, which adjusts the contents of a cell location when it is determined by the contents of another cell.
- 6) Recognize the need for lifelong learning as new products, such as the

Roth IRA, continually come to the market.

(A copy of the Excel spreadsheet used for this case can be obtained from the author.)

Virtual Environment

To compliment what happens in the classroom, we use courseware from Blackboard.com. Blackboard is a software package in the form of a course website that allows for email, posting of course documents, exams and a discussion board. Our objective for using this courseware is to involve the students with the instructor and with each other outside of class. After a case has been covered in class and prior to the time that the spreadsheets are due, the instructor initiates a discussion of the case on an asynchronous discussion board. This usually takes the form of some questions that require the students to perform sensitivity analyses. The instructor strongly encourages the students to participate in the online discussion. The failure of students to ask and answer questions in class prohibits their reaching full potential as learners. We have found that some students will participate in the online discussions that will not participate in class.

The heavy use of technology in this class has been a source of excitement. Students continually comment regarding how much they are learning. Their confidence grows as they develop the necessary competencies to perform various financial analyses. They perceive their first job as a likely extension of this course.