

AGEC 463

AGRICULTURAL FINANCE

WESTERN KENTUCKY UNIVERSITY

Course Information

Instructor: Dr. Stephen A. King
 Meeting Time/Location: Asynchronous Web Course
 AGEC 463 CRN: 49903
 Section: 001
 Credit Hours: 3.00

Contacting Dr. King

- Feel free to call or text me at my cell number 270-991-9804, 8:00 AM to 10:00 PM any day of the week.
- Office phone: 270-745-5964
- Email: Stephen.King2@wku.edu
- Office location: EST 240

Office Hours

- Assuming no COVID-19 lockdowns, mask requirements, or other disruptions from normality, in person office hours will be Mondays and Wednesdays 2:15-3:45, Tuesdays 4:00-4:30, and Thursdays 12:45-1:45
- If the above does not work for you or if administration restricts normal freedoms, text or call Dr. King at 270-991-9804 to arrange for alternatives to normal in-person office hours

Teaching Schedule

<i>Course Number</i>	<i>Course Name</i>	<i>Days & Times</i>	<i>Location</i>
AGEC 360	Agricultural Economics	MWF 12:40-1:35	EST 250
AGEC 463	Agricultural Finance	Web	Web
AGEC 561	Production Economics	Web	Web
AGRI 291	Introduction to Data Analysis	TR 2:20-3:40	EST 250
AGRI 398	Agribusiness Seminar	T 12:45-1:40	EST 265
AGRI 491/491G	Data Analysis and Interpretation	TR 11:10-12:30	EST 250
AGRI 598	Graduate Seminar	T 5:00-5:55	EST 265

Course Messages and Announcements

Course messages and announcements will be sent via one or more of the following methods:

- Blackboard Announcements
- WKU E-mail
- Remind texting service: To receive messages via remind, please text @agec463 to 81010

Course Prerequisite

The required course prerequisite is AGEC 361 Farm Management. Students who have not successfully completed AGEC 361 but have earned a grade of C or higher in ACCT 200 Introductory Financial Accounting or FIN 330 Principles of Financial Management may request instructor consent.

Course Description

AGEC 463 is designed to help students gain an understanding of farm finance problems, credit institutions, capital requirements, investment decisions, budgeting techniques, operation of lending agencies, and means of acquiring capital.

Learning Objectives

It is expected that the student will gain the ability to:

1. Identify the financial functions and activities of an agricultural business and explain how these functions and activities are related to production, marketing, and consumption.
2. Construct and use the four primary financial statements (balance sheet, income statement, statement of owner equity, and statement of cash flows) for reporting business performance, satisfying legal and tax obligations, forecasting, and making effective and efficient managerial decisions.
3. Develop an effective and efficient financing program for an agricultural business.
4. Identify, measure, mitigate, and manage risk, particularly those types of risk associated with the credit and finance of an agricultural business.
5. Use investment analysis methods of simple rate-of-return, payback period, net present value, internal rate of return, and modified internal rate of return to accept or reject investment projects and rank mutually exclusive investment alternatives.
6. Identify and evaluate the sources of land price information and the approaches used to estimate land values.
7. Identify and distinguish between the various types of leases used in agriculture for both real estate and non-real estate assets.
8. Determine whether it is more cost effective to buy or lease an agricultural asset.

Course Text

A course textbook is strongly recommended. There may be other suitable textbooks, however the text by Barry and Ellinger is strongly correlated with the course content. The reading assignments outlined in the tentative schedule refer to the 7th edition of Barry & Ellinger. Please note that course notes alone may not be sufficient for acquiring the necessary information to do well in the course, therefore an appropriate textbook is recommended.

Any of the following textbooks may be beneficial.

Text	WKU Bookstore Used	eCampus.com	Abe Books Used	Chegg Used	WKU Library Call Number
Barry, Peter J. and Paul N. Ellinger. 2012. <i>Financial Management in Agriculture, 7th Edition</i> . Upper Saddle River, NJ: Pearson Prentice Hall. ISBN: 9780135037591	\$120.00	\$104.44	\$53.02	\$115.49	HD1437 .B37 2012
Barry, Peter J., Paul N. Ellinger, John A. Hopkins, and C.B. Baker. 1999. <i>Financial Management in Agriculture, 6th Edition</i> . Upper Saddle River, NJ: Pearson Prentice Hall. ISBN: 081343176X	Not Available	\$63.15	\$12.52	Not Available	Not Available
Battles, Ralph W. and Robert C. Thompson, Jr. 2000. <i>Fundamentals of Agribusiness Finance</i> . Ames, IA: Iowa State University Press. ISBN: 0813820693	Not Available	\$45.01	\$36.19	\$47.99	HD1437 .B38 2000

Pricing and availability reported as of approximately 14:30 on Friday, August 6, 2021

Course Videos

There are instructional course videos for this course. You will access these videos via the course *Blackboard* site.

Information Technology Requirements

You should have access to relatively new versions of the following information technology:

- Windows based personal computer
- Antivirus software
- High-speed internet connection
- Internet browser such as Internet Explorer, Mozilla Fire Fox, or Chrome
- Microsoft Word with Equation Editor 3.0
- Microsoft Excel
- Adobe Reader (freely available from <http://www.adobe.com/>)

It is not required that you own the above information technology. Every single one of you has access to these technologies through the various computer labs on the WKU campus. For location and operating hours of these labs see: <http://www.wku.edu/it/labs/>

WKU offers a free version of the Symantec antivirus software. You can download it by:

1. <http://www.wku.edu/it/sms/>
2. Click on "WKU Software Center"
3. Log-in
4. Click "Personal"
5. Look for Symantec Corporation "Symantec Endpoint Protection"

If I receive a corrupted file and if my anti-virus software detects that it is corrupted I will not open it. Thus, I will not be able to grade it. I'm sure that you want to earn credit for your work, so I suggest that you make sure your files are clean. Please note that if you have trouble locating, selecting, downloading, or installing the anti-virus software you need to call the WKU IT Help Desk at 270-745-7000.

Hand-held Calculator

It is expected that each student has a quality hand-held calculator. Cell phone calculators and internet enabled devices are not allowed during in-class quizzes and exams. You are expected to bring your calculator to each class period. There are numerous calculators that will suffice for this course. Agribusiness students should strongly consider investing in a Hewlett-Packard HP-12c, which is a quality calculator that will likely be highly beneficial for AGEC 463 Agricultural Finance. A lesser expensive alternative to the HP-12c is the Texas Instruments BAII Plus.

Regardless of which calculator you select, it should have the following functions/capabilities:

- Mathematical functions, such as:
 - y^x , $\frac{1}{x}$, $\sqrt[3]{y}$, e^x , $n!$, LN
- Statistical functions, such as:
 - Mean
 - Median
 - Mode
 - Variance
 - Standard deviation
 - Coefficient of variation
 - Weighted mean
 - Linear regression
- Financial functions, such as:
 - Present value (PV)
 - Future value (FV)
 - Present value of an ordinary annuity
 - Present value of an annuity due
 - Loan payment
 - Loan balance
 - Periodic and annual interest rate
 - Net present value (NPV)
 - Benefit-cost ratio (B/C)
 - Internal rate of return (IRR)
 - Depreciation calculations

The HP-12c is available in a standard and platinum version. The MSRP are \$69.99 and \$79.99 respectively. However, it is easy to find discounted prices from various retailers such as Amazon or even directly from Hewlett-Packard <http://www.hp.com/#Product>. Each version comes with a high-quality user's guide and the platinum version in the past has been packaged with a tutorial DVD. Students not concentrating in agribusiness are encouraged to consult their academic advisor on the importance of various mathematical and statistical functions for their respective concentration.

Course Design and Requirements

General Format

The course is constructed around the following modules

1. Financial Analysis and Planning
2. Risk Assessment and Management
3. Investment Analysis

The first module covers four chapters from the recommended course textbook: Nature and Scope of Financial Management; Financial Statements and Information Flow; Financial Analysis and Control; and Financial Planning and Feasibility Analysis. The second module covers three chapters from the recommended course textbook: Credit Risk Assessment and Lender Borrowing Relationships; Capital Structure, Leverage, and Financial Risk; and Risk Management. The third module covers four chapters from the recommended course textbook: Time Value of Money; Investment Analysis; Ownership and Leasing of Farmland; and Leasing Non-Real Estate Assets.

Quizzes: It is expected that there will be 4 quizzes, it is possible (but not guaranteed) that there may be a fifth bonus quiz.

Examinations: There will be a mid-term examination and a final exam.

Grading

Your final course grade will be determined by:

Component	Quantity	Points	Total Points	Percent
Quizzes	4	100	400	40.0
Mid-term Exams	1	250	250	25.0
Final Exam	1	350	350	35.0
Total			1,000	100.0

Course grades will be assigned using the following grading scale:

Grade	Percentage	Point Range		
A	≥ 90	900	to	1,000
B	80 - 89.99	800	to	899
C	70 - 79.99	700	to	799
D	60 - 69.99	600	to	699
F	< 60	0	to	599

The letter grades A, B, C, D, and F have the following significance:

- A – “excellent” valued at four quality points per semester hour;
- B – “good” valued at three quality points per semester hour;
- C – “average” valued at two quality points per semester hour;
- D – “below average, unsatisfactory” valued at one quality point per semester hour; and
- F – “failure” valued at no semester hours earned and no quality points.

Students are encouraged to review page 43 of the Western Kentucky University 2019-2020 Undergraduate Catalog for further information on the “grading and quality point system.”

Extra Credit

Although there is no guarantee that extra credit or bonus points will be made available, historically there have been opportunities to earn extra credit points. It is expected that there will be five quizzes and thus if there is a fifth quiz, the fifth quiz will be bonus/extra points. Sometimes exams or quizzes may have additional/bonus/extra points to be earned. The best way to take advantage of extra credit or bonus points is to do all the work that is made available.

Late Submissions

The instructor reserves the right to either accept or reject late submissions. Please note that once an answer key is posted/distributed for an assignment that no late submission will be accepted. In other situations, if late submissions are accepted, for each partial day that work is late a student should expect at minimum a penalty of one-tenth of the possible points for that assignment. For example, if an assignment is worth 100 points then one should expect at minimum a 10 point per day penalty for each day the assignment is late.

Other Important Notices

Student Accessibility Resource Center

In compliance with university policy, students with documented disabilities who require accommodations (academic adjustments and/or auxiliary aids or services) for this course must contact the Student Accessibility Resource Center on the first floor of the Downing Student Union in room 1074. Please do not request accommodations directly from the professor without a letter of accommodation from the Student Accessibility Resource Center. For further information on the Student Accessibility Resource Center please see <http://www.wku.edu/sarc/> or contact SDRC at 270-745-5004 or sarc@wku.edu.

Cheating/Plagiarism

According to the student handbook: Any student who commits any act of academic dishonesty will receive from the instructor a failing grade in that portion of the coursework in which the act is detected or a failing grade in the course without possibility of withdrawal. Any student committing such acts in this class will receive a failing grade for the course. Further information on academic offenses, academic dishonesty, plagiarism, and cheating can be obtained from pages 33-34 of the Western Kentucky University 2015-2016 Undergraduate Catalog.

WKU Title IX Sexual Misconduct/Assault Policy

Western Kentucky University (WKU) is committed to supporting faculty, staff and students by upholding WKU's Title IX Sexual Misconduct/Assault Policy (#0.2070) at

<https://wku.edu/eoo/documents/titleix/wkutitleixpolicyandgrievanceprocedure.pdf> and

Discrimination and Harassment Policy (#0.2040) at

https://wku.edu/policies/hr_policies/2040_discrimination_harassment_policy.pdf

Under these policies, discrimination, harassment and/or sexual misconduct based on sex/gender are prohibited. If you experience an incident of sex/gender-based discrimination, harassment and/or sexual misconduct, you are encouraged to report it to the Title IX Coordinator, Andrea Anderson, 270-745-5398 or Title IX Investigators, Michael Crowe, 270-745-5429 or Joshua Hayes, 270-745-5121. Please note that while you may report an incident of sex/gender based discrimination, harassment and/or sexual misconduct to a faculty member, WKU faculty are "Responsible Employees" of the University and MUST report what you share to WKU's Title IX Coordinator or Title IX Investigator. If you would like to speak with someone who may be able to afford you confidentiality, you may contact WKU's Counseling and Testing Center at 270-745-3159.

The Learning Center (TLC)

Should you require academic assistance with your WKU courses, The Learning Center (located in the Downing Student Union, A330) provides free supplemental education programs for all currently enrolled WKU students. TLC @ DSU offers certified, one-on-one tutoring in many subject areas and academic skill areas by appointment or walk in. Online tutoring is offered to distance learners. TLC is also a quiet study area (with side rooms designated for peer-to-peer tutoring) and offers a computer lab to complete academic coursework. Additionally, TLC has satellite locations. Each satellite location is a quiet study center and is equipped with a small computer lab. For further information call (270) 745-6254 or see <http://www.wku.edu/tlc>

Study Hours and Time Management

Earning a college degree is a full-time job. In general, it is recommended that students study 3 hours per credit hour per week. AGEC 463 is a 3-credit hour course. Thus, in order to perform well in this course, it is expected that you devote 9 hours of study time per week to this course. If you are devoting less than 9 hours of study time per week to this course and not earning the grade you desire you might reconsider your study habits and management of time. WKU offers dining halls and dormitories for a reason; these services help make your use of time more efficient and effective. For most topic areas that we study you will be provided a set of learning objectives, questions, and exercises which if followed will help to make your study time more effective and efficient. Additionally, *The Learning Center* occasionally offers *Academic Advantage Series Workshops* that may help you in improving your study habits and time management.

Weekly Activities	Time (hours)
Attending Class (15 credit hours)	15
Study Time (3 hours/credit hour)	45
Rest/Sleep (8-hours/day)	56
Cooking/Eating/Showering/Etc. (3-hours/day)	21
Socializing/Exercising/Relaxing/TV/Etc. (2-hours/day)	14
Free Time (Work or something else)	17
Total Hours Per Week	168

Tentative Schedule of Lecture Topics and Assignments

Please note that this is an asynchronous web course; thus, **there are no scheduled meetings**. The date column correlates to a recommended date for completing study of a topic area or reading assignment and the expected tentative date for a quiz or exam. Please utilize this schedule as a guide toward organizing your time.

Week	Date	Topics/Activities	Reading Assignments	<u>Tentative</u> Quiz/Exam Dates
1	Tue, Aug 24, 2021	Course Introduction	Syllabus	
	Thu, Aug 26, 2021	Nature and Scope of Financial Management	pp. 1-10	
2	Tue, Aug 31, 2021	Financial Statements and Information Flow	pp. 11-29	
	Thu, Sep 02, 2021	Financial Statements and Information Flow	pp. 29-41	Quiz #1
3	Tue, Sep 07, 2021	Financial Analysis and Control	pp. 42-48	
	Thu, Sep 09, 2021	Financial Analysis and Control	pp. 48-59	
4	Tue, Sep 14, 2021	Financial Analysis and Control	pp. 59-67	
	Thu, Sep 16, 2021	Financial Planning and Feasibility Analysis	pp. 68-75	Quiz #2
5	Tue, Sep 21, 2021	Financial Planning and Feasibility Analysis	pp. 75-79	
	Thu, Sep 23, 2021	Financial Planning and Feasibility Analysis	pp. 79-84	
6	Tue, Sep 28, 2021	Prep for Mid-Term Exam	All of the above	
	Thu, Sep 30, 2021	Complete Mid-Term Exam by 11:59 PM Central Time	All of the above	Mid-Term Exam
7	Tue, Oct 05, 2021	Credit Risk Assessment and Lender Borrowing Relationships	pp. 85-90	
	Thu, Oct 07, 2021	Credit Risk Assessment and Lender Borrowing Relationships	pp. 91-99	
8	Tue, Oct 12, 2021	Capital Structure, Leverage, and Financial Risk	pp. 100-109	
	Thu, Oct 14, 2021	Fall Break - No Class	None	

Tentative Schedule of Lecture Topics and Assignments (continued)

Week	Date	Topics/Activities	Reading Assignments	<u>Tentative</u> Quiz/Exam Dates
9	Tue, Oct 19, 2021	Capital Structure, Leverage, and Financial Risk	pp. 109-117	
	Thu, Oct 21, 2021	Risk Management	pp. 118-127	
10	Tue, Oct 26, 2021	Risk Management	pp. 127-140	Quiz #3
	Thu, Oct 28, 2021	Time Value of Money	pp. 141-145	
11	Tue, Nov 02, 2021	Time Value of Money	pp. 145-148	
	Thu, Nov 04, 2021	Time Value of Money	pp. 148-155	
12	Tue, Nov 09, 2021	Investment Analysis	pp. 156-164	
	Thu, Nov 11, 2021	Investment Analysis	pp. 164-169	
13	Tue, Nov 16, 2021	Investment Analysis	pp. 169-179	Quiz #4
	Thu, Nov 18, 2021	Ownership and Leasing of Farm Land	pp. 216-226	
14	Tue, Nov 23, 2021	Ownership and Leasing of Farm Land	pp. 226-234	
	Thu, Nov 25, 2021	Thanksgiving Break - No Class	None	
15	Tue, Nov 30, 2021	Leasing Non-Real Estate Assets	pp. 235-241	Quiz #5
	Thu, Dec 02, 2021	Leasing Non-Real Estate Assets	pp. 241-249	
16	Thu, Dec 09, 2021	Complete Final Exam by 11:59 PM Central Time	All of the above	Final Exam

Please note that the above is a tentative schedule. We will do our best to stick to the schedule; however, unforeseen events do happen that may alter the schedule. It is your responsibility to pay attention and check the *Blackboard* announcements, *Remind* notices, and your WKU e-mail to stay informed about any potential changes to the schedule.

Last Revision: Friday, August 6, 2021