PRINCIPLES OF FINANCE: NO TEXT REQUIRED?

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ABSTRACT

Corporate Finance is regarded by students as the most challenging course in the business core at Winthrop University. In earlier years, students demonstrated a willingness to accept this challenge. They typically came to class prepared, having read assigned materials and having made a concerted effort to solve assigned problems. More recently, the author has witnessed a decline in the amount of advance preparation. This trend, coupled with the escalating cost of textbooks, has led the author to consider teaching this class without a text. This paper examines the advantages and disadvantages of doing so and summarizes student feedback regarding the current text.

INTRODUCTION

The author has taught accounting and finance at Winthrop University for the previous nineteen years. During this tenure, FINC 311, Corporate Finance, has been the class students in the College of Business have viewed as the most difficult course in the business core. It is not uncommon for students to delay taking the course until their senior year even though tools and techniques learned in this class are utilized in other upper level business courses. Often, students take the course with the goal of getting by with a grade of C. It is not uncommon for students to take this course on a Satisfactory/Unsatisfactory basis. Unfortunately, a number of students believe that they won’t need to know finance because their major is marketing or management. Clearly, we have some work to do to change this mindset.

We typically offer 4 or 5 sections of FINC 311 each semester. These sections are taught by 3 or more professors. It is our practice to reach a consensus regarding the text to be used. Each professor then structures his class as desired. There is a variety of styles among the finance faculty. Some utilize PowerPoint heavily. Others are “old school” and use chalk and the blackboard. Some faculty members give all multiple choice exams while others believe a mix of multiple choice and problems is a more appropriate assessment tool. Given these differences, students have the ability to do their homework in order to decide which section to sign up for. Clear patterns have emerged over the years. One can predict the order in which sections will fill up based on the assigned professor.

Over the years, it has been my goal to engage students in the classroom. Rather than lecture, I tend to ask questions and engage in a discussion. This approach worked well in the early years of my tenure. Students came to class having read assigned materials and having attempted assigned homework problems. Students were comfortable participating in class discussions and understood that responding to questions in class provided an opportunity to test themselves before taking the actual exam.

In more recent years, it appears that students have become more note takers. The prevailing attitude is, “Tell me what you want me to know and ask me exactly that on the exam”. It is not uncommon for students to question the fairness of exam questions if modest changes are made on the exam to the wording of questions or problems previously covered.
OUR CURRENT TEXT

Our current text is *Foundations of Finance* by Keown [2]. This text was selected because it was viewed by the finance professors as being extremely student friendly. The text is well-organized and concepts are presented clearly. The objectives for each chapter are clearly stated. Key terms are highlighted in the margins. Examples are easy to follow. Check figures are provided for selected end-of-chapter problems. Detailed instructions for using the BA II Plus and HP 10b calculators to solve time value of money problems are provided. It should be noted that I strongly encourage all students to purchase the BA II Plus calculator. All problems are solved in class using this calculator. Accordingly, students learn the specific keystrokes for this calculator.

Over the years, I have relied less on the textbook during class. Discussions are often conducted without reference to the text. A robust set of lecture notes have been prepared and made available on my webpage. I also try to emphasize the practical aspects of finance by incorporating my experiences as a practicing CPA and Financial Planner over the past 26 years. The assigned text has largely been used as a source of homework and review problems.

I have questioned the effectiveness of assigning a text given the cost, limited reading on the part of students and limited use during class discussions. The Winthrop University Bookstore currently charges $158 for a new text and $118 for a used text. I found prices online ranging from $54 to $146.67. I also identified a website from which the text can be rented for the semester ($59.62). Clearly, students should consider alternatives to buying the text from our bookstore. Students must be careful when buying texts online, however. There have been a number of instances where the text is not delivered in a timely manner. In a few cases, I have loaned the text to a student to prepare for the first exam because the ordered textbook had not arrived. Some students have received an international version of the text. Typically, the content is similar, but there can be differences in homework problems.

Our current text contains 17 chapters. I typically cover 10 – 11 chapters in a semester. I was disappointed to learn that creating a custom text in which those chapters not covered are eliminated would not result in any significant cost savings.

ELIMINATE THE TEXT?

Clearly, textbooks are expensive and often contain far more material than we can cover in a semester. It is not uncommon for students to complain that the text wasn’t used for a given class (i.e. they wasted their money). Some professors argue that we might be better off by eschewing a textbook [4]. It is noted that students often merely have the goal of earning a degree. Love of the subject matter may be lacking. Further, the textbook is viewed as a reference rather than a learning tool [3].

Corporate Finance is largely a problem solving course. If a text were not assigned, the professor would have to ensure that lecture notes were complete and clear. This should not pose a major challenge. Developing a problem set may be more problematic. Students should be given the opportunity to work a variety of problems for homework. Further, additional problems should be provided for test preparation. Solutions and/or check figures should be made available. Accordingly, there could be a significant upfront cost in time for the professor to move away from a text. This cost may be lessened by online tools made available by publishers. Pearson, the publisher of our text, offers a package called MyFinanceLab that may minimize or eliminate the need to create practice problem sets. Eliminating a text will likely require increased webpage content and/or more class handouts.
It is suggested that professors who decide to give up the textbook do so slowly by developing their own curriculum unit by unit or lesson by lesson. Specific tips are provided on how to wean from the text [1]. These include:

- Read widely
- Plan and prioritize
- Borrow and adapt others’ curriculum
- Customize homework

My initial thought was to make the textbook optional for the Spring 2010 semester. This would provide time for the preparation of additional web content. Potential benefits include:

- Cost savings for students
- Freeing up money for students to purchase the required calculator in a timely manner
- Placing a higher premium on attending class and being an active participant

Ultimately, my decision will be based on written feedback received from students on the class evaluation form.

**STUDENT FEEDBACK**

Typically, I have 25 – 40 students in my FINC 311 class each semester. Each student has the opportunity to complete a course evaluation at the end of each semester. The evaluation instrument contains questions that students provide an answer ranging from strongly agree to strongly disagree. There are also open ended questions where students can write whatever they choose. One of the open ended questions is “What is your opinion of the textbook(s) used in this course?”

I reviewed student responses to this question for each semester for the prior three years. Unfortunately, responses tended to be very short. It was not uncommon for students to simply respond that the textbook was “good” or “helpful”. There were a number of comments that the textbook was needed in order to be successful in the class. Some students commented that the book was easy to read and understand. Similar comments were reported by my colleagues. It was noted that students in my class must work a variety of problems to ensure they understand the concepts in order to be successful on exams. Memorization of assigned homework problems does not work.

I only saw one negative comment in which the student said that the textbook was awful. No specifics were provided for this assessment. However, it was clear that the student did not expect to receive the desired grade for the course.

Quite candidly, the comments regarding the text were more favorable than I anticipated. There was no mention of cost.

**CONCLUSION**

There is no question that the escalating cost of textbooks coupled with current student behavior begs the question whether a textbook should be assigned in a given class. Clearly, there are benefits to assigning a text in a problem solving class.
• Clear discussion of the concepts
• Step-by-step solutions to examples in the chapter
• Homework and review problems with check figures
• Detailed instructions on the use of a financial function calculator

Nonetheless, one must consider the cost/benefit ratio for the students and the professor. Fortunately, students have become savvy and are able to find textbooks at substantially lower prices than those charged by the bookstore. The practice of renting a text will likely gather steam. Feedback to our current text was universally positive. It was expected that feedback would be more mixed.

I expect that I will continue to assign the textbook. I do plan to refer to it more in class discussions and to work problems in class that have not been assigned for homework.

REFERENCES