



A POLYTECHNIC INSTITUTION

School of Business

Program: Financial Management

Option:

**FMGT 2540****Working Capital Management**

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<b>Start Date:</b>	March 2007	<b>End Date:</b>	May 2007
<b>Total Hours:</b>	40	<b>Total Weeks:</b>	10
<b>Hours/Week:</b>	4	<b>Lecture:</b>	2
		<b>Lab:</b>	2
<b>Prerequisites</b>		<b>FMGT 2540</b>	
<b>Course No.</b>	<b>Course Name</b>	<b>Course No.</b>	<b>Course Name</b>
FMGT 1100 or			
FMGT 1105	(Min 50% grade)		

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**v Course Description**

Enables students to understand the relationships between current assets and current liabilities in different types of organizations, to appreciate the trade-offs inherent in a firm's working capital policy, and to carry out a basic analysis of a firm's working capital management in comparison to others.

**v Evaluation**

Mid Term Exam	40%	Comments: Final Exam is cumulative with a heavier emphasis on the post mid term materials. Class participation marks are assigned based on lab problem preparation and attendance.
Final Exam	50%	
Class participation	10%	
TOTAL	100%	

**Course Learning Outcomes**

Upon successful completion of this course the student will be able to:

- Identify working capital management considerations for permanent components, the impact of sales/production schedules and liquidity versus risk.
- Solve financial ratios that measure profitability, asset utilization, liquidity, and debt utilization
- Prepare a cash budget and explain its various uses by a firm.
- Identify the cash flow cycle of the firm.
- Differentiate the risks and profitability to a firm of financing permanent and temporary assets with short and long term financing.
- Discuss the major elements of cash management.
- Discuss accounts receivable as an investment based on the firm's credit policies, outline the considerations in granting credit, and evaluate a credit decision that changes credit terms to stimulate sales.
- Describe trade credit as a form of financing and calculate its cost if the discount is forgone.
- Describe short term bank financing and calculate interest rates for various types of loans.
- Describe inventory as an investment and apply techniques to reduce the costs of this investment.

**v Verification**

I verify that the content of this course outline is current.

Mark Weisbrod

\_\_\_\_\_  
Authoring Instructor

\_\_\_\_\_  
Date

I verify that this course outline has been reviewed.

\_\_\_\_\_  
Program Head/Chief Instructor

\_\_\_\_\_  
Date

I verify that this course outline complies with BCIT policy.

\_\_\_\_\_  
Dean/Associate Dean

\_\_\_\_\_  
Date

Note: Should changes be required to the content of this course outline, students will be given reasonable notice.

**v Instructor(s)**

Mark Weisbrod BComm  
CFA  
(Lecture, Lab Set E

Office Location: SE6—370J  
Office Hrs.: T 10.30 – 12.00  
T 2.30 – 3.30  
Th 2.00 - 3.30

Office Phone:  
E-mail Address: **Mark\_weisbrod@bcit.ca**

Tom McDonald  
Labs Set B, C, E, G, J, K, M,  
N

Office Location: SE6—318  
Office Hrs.: To be advised

Office Phone: 604 454 2251  
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Randy Murie  
Lab Set A, F, L

Office Location: SE6—322  
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**v Learning Resources**

*Required:*

***Working Capital Management*, ISBN 0-07-083922-0, (This is a McGraw Hill Primis publication, based on chapters 6 - 8 of *Foundations of Financial Management*, 7<sup>th</sup> Canadian Edition, Block et al.)**

## v Information for Students

**Lab Problems:** Lab problems assigned will be taken up each week in lab. Students are expected to have worked through the lab problems in advance. Late assignments will **not** be accepted for marking. Assignments must be done on an individual basis unless otherwise specified by the instructor.

**Makeup Tests, Exams or Quizzes:** There will be **no** makeup tests, exams or quizzes. If you miss a test, exam or quiz, you will receive zero marks. Exceptions may be made for **documented** medical reasons or extenuating circumstances. In such a case, it is the responsibility of the student to inform the instructor **immediately**.

**Ethics:** BCIT assumes that all students attending the Institute will follow a high standard of ethics. Incidents of cheating or plagiarism may, therefore, result in a grade of zero for the assignment, quiz, test, exam, or project for all parties involved and/or expulsion from the course.

**Attendance:** The attendance policy as outlined in the current BCIT Calendar will be enforced. Attendance will be taken at the beginning of each session. Students not present at that time will be recorded as absent.

**Illness:** A doctor's note is required for any illness causing you to miss assignments, quizzes, tests, projects, or exam. At the discretion of the instructor, you may complete the work missed or have the work prorated.

**Attempts:** Students must successfully complete a course within a maximum of three attempts at the course. Students with two attempts in a single course will be allowed to repeat the course only upon special written permission from the Associate Dean. Students who have not successfully completed a course within three attempts will not be eligible to graduate from the appropriate program.

**Course Outline Changes:** The material or schedule specified in this course outline may be changed by the instructor. If changes are required, they will be announced in class.

**Lecture Notes and other Information:** Lecture notes will be available through the share out directory under the FMGT2540 folder. Notes will be posted in advance of the lecture. The notes DO NOT replace attendance at lectures. They are meant to be a complement to lectures. There may also be, from time to time, other information sources on the share out directory that will be required reading.

## Schedule

*(This schedule is subject to change at the discretion of the instructor.)*

Number/ Week of	Lecture Material	Reference/ Reading	Lab Problems
Week 1 March 19	Introduction & Ratio Analysis		Accounting review handout problems
Week 2 March 26	Cash Budgets		Financial statement analysis handout problems
Week 3 April 2	Working Capital and the Financing Decision	- Chapter 6, pp. 1 – 28;	Cash budgeting handout problems
Week 4 April 9	Current Asset Management	- Chapter 7, pp. 38 – 57	CH 6: Discussion Questions 1, 2, 6, 7, 10; Problems 3, 5, 10, 14, 16
Week 5 April 16	Mid Term Exam	Review	Catch up and exam review
Week 6 April 23	Sources of Short Term Financing	- Chapter 8, pp. 74 – 96; - “Driving down working capital: Laidlaw’s story”, <u>Canadian Treasurer</u> , Aug/Sep 1999 (Handout); - “Banking 101: The basics of debt financing”, <u>Canadian Treasurer</u> , Oct/Nov. 2000. (Handout)	CH 7: Discussion Questions 1, 4, 10; Problems 3, 5, 9a, 11a, 18, 26
Week 7 April 30	Inventory Management	- Chapter 7, pp. 57 – 65 ;	CH 8: Discussion Questions 3, 6, 8; Problems 4, 6, 15, 19, 27, 30, 31
Week 8 May 7	Foreign Currency Transactions		CH 7: Problems 31, 34, 36, 38
Week 9 May 14	Review and Catch up Week		Hand out problems
Week 10 May 21	Final Exam Week		