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A POLYTECHNIC INSTITUTION

School of Business

Program: Financial Management

Option: Accounting

FMGT 4510

Finance 2

Start Date: January, 2005

End Date: May, 2005

Total Hours: 80 **Total Weeks:** 20

Term/Level: 4 **Course Credits:** 5.5

Hours/Week: 4 **Lecture:** 2 **Lab:** 2

Shop: **Seminar:** **Other:**

Prerequisites

FMGT 4510 is a Prerequisite for:

Course No. Course Name

Course No. Course Name

FMGT 3510 Finance 1

v Course Description

The purpose of the course is to give the student an understanding of the role finance plays in business and industry.

Corporate finance is a tool that helps managers maximize the financial performance of a company for the long-term benefit of its shareholders. In this course students learn how firms can efficiently allocate their resources and how they can raise funds to pay for those resources on as favourable terms as possible.

v Evaluation

| | | |
|------------------------|-------------|---|
| Final Exam | 45% | Comments: * See Assignment Details, page 3. |
| Midterm | 45% | |
| Projects/Assignments * | <u>10%</u> | |
| TOTAL | 100% | |

v Course Learning Outcomes/Competencies

Upon successful completion, the student will be able to:

- Appreciate the role corporate finance plays in enabling a firm to survive in an environment of accelerating change and competition.
- Describe, in their own words, the common terminology in the field of corporate finance
- Analyze the desirability of an investment in fixed assets under conditions of certainty and risk.
- Determine the best way to finance a firm through debt and/or equity.
- Set a dividend policy that will meet the twin goals of shareholder satisfaction and asset growth.
- Calculate the effect of mergers and acquisitions on the value of shareholders' investments.
- Apply the most common techniques to reduce exchange rate risk
- Calculate the potential advantages and disadvantages of leasing versus buying fixed assets.
- Price a call option using the Black-Scholes Model

v Instructor(s)

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M.B.A., CMA, CFP Office Hrs.: To be announced E-mail Address: rick_mccallum@bcit.ca

v Learning Resources

Required:

Fundamentals of Corporate Finance, Fifth Canadian Edition, by Stephen Ross, Randolph Westerfield, Bradford Jordan and Gordon Roberts.
ISBN 0-07-091659-4, McGraw-Hill Ryerson Publishers.

Financial calculator (Sharp EL-733A is recommended).

Recommended: Study Guide to accompany the above text is **not compulsory BUT may be useful.**

v Information for Students

(Information below can be adapted and supplemented as necessary.)

Assignments: Late assignments, lab reports or projects 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.

1. This course outline may assist you in the future to receive credit for all or part of a course from another post-secondary institution or from a professional program. It is strongly recommended that you keep this outline in a safe place for future reference.
2. In order to write exams, students will be required to produce photo identification at examination centres.

v Assignment Details

Problems will be assigned weekly which will be weighted 10 percent toward the final mark in the course. The student may elect not to do these in which case this 10 percent will be allocated equally to the exams. Please note that the marks from the assignments cannot be weighted to result in a final mark which is higher than the highest mark achieved on either exam.

Schedule

| Week Number | Outcome/Material Covered |
|-------------|--|
| 1 | Chapter 13 (Conclusion) Risk, Return and the Security Market Line The Capital Asset Pricing Model |
| 2 | Chapter 14 Cost of Capital Computation of the Cost of Debt, Preferred, and Common Equity Funds; Combining these to get an Overall (Weighted) Cost of Capital |
| 3 | Chapter 9: Net Present Value and Other Investment Criteria NPV, IRR, Payback, Profitability Indices, Capital Rationing |
| 4 | Chapter 10: Making Capital Investment Decisions Introducing Taxes and Tax Shields, Estimating Cash Flows |
| 5 | Chapter 11: Project Analysis and Evaluation Sensitivity Analysis, Break-Even Analysis, Simulation, Leverage |
| 6 | Chapter 15: Raising Capital The Underwriting Process, Private Placements, Bought Deals |
| 7 | Chapter 16: Financial Leverage and Capital Structure Policy The Theory of Capital Structure and its Impact on Firm Value |
| 8 | Chapter 17: Dividends and Dividend Policy Dividend Procedures, Stock Dividends, Stock Splits, Share Buybacks |
| 9 | Review |
| 10 | MIDTERM EXAM (45%) on Chapters 13, 14, 9, 10, 11, 15, 16 and 17 |
| 11 | Midterm Break |
| 12 | Chapter 21: International Corporate Finance |
| 13 | Chapter 24: Risk Management: An Introduction to Financial Engineering |
| 14 | Chapter 25: Options and Corporate Securities |
| 15 | Chapter 22: Leasing Evaluation of Financial Leases |
| 16 | Chapter 23: Mergers and Acquisitions |
| 17 | Chapter 3: Working With Financial Statements Statement and Ratio Analysis, DuPont Analysis, Trend Analysis |
| 18 | Chapter 4: Long-Term Financial Planning and Corporate Growth |
| 19 | Review |
| 20 | Final Exam (45%) |

| Week Number | To be Handed in | To do in Labs |
|--------------------|-------------------------------------|---|
| 1 | Exam Questions | |
| 2 | Chapter 13: Prob. 13, 16, 26 | Chapter 13: Prob. 14, 15, 20, 21 |
| 3 | Chapter 14: Prob. TBA | Chapter 14: Prob. TBA |
| 4 | Chapter 9: Prob. TBA | Chapter 9: Prob. TBA |
| 5 | Chapter 10: Prob. TBA | Chapter 10: Prob. TBA |
| 6 | Chapter 11: Prob. TBA | Chapter 11: Prob. TBA |
| 7 | Chapter 15: Prob. TBA | Chapter 15: Prob. TBA |
| 8 | Chapter 16: Prob. TBA | Chapter 16: Prob. TBA |
| 9, 10 & 11 | No Assignment | Review and Break |
| 12 | Chapter 17: Prob. TBA | Chapter 17: Prob. TBA |
| 13 | Chapter 21: Prob. TBA | Chapter 21: Prob. TBA |
| 14 | Chapter 24: Prob. TBA | Chapter 24: Prob. TBA |
| 15 | Chapter 25: Prob. TBA | Chapter 25: Prob. TBA |
| 16 | Chapter 22: Prob. TBA | Chapter 22: Prob. TBA |
| 17 | Chapter 23: Prob. TBA | Chapter 23: Prob. TBA |
| 18 | Chapter 3: Prob. TBA | Chapter 3: Prob. TBA |
| 19 | Chapter 4: Prob. TBA | Chapter 4: Prob. TBA |