



DEC 02 2002

Course Outline

A POLYTECHNIC INSTITUTION

School of Business

Program: Financial management

Option: Finance

FMGT 3510**Finance 1****Start Date:** September 4, 2002**End Date:** December 13, 2002**Total Hours:** 60 **Total Weeks:** 15**Term/Level:** 3 **Course Credits:** 4**Hours/Week:** 4 **Lecture:** 2 **Lab:** 2**Prerequisites**1st year BCIT business courses**■ Course Description**

The purpose of the course is to give the student an introduction to basic concepts of corporate finance. Corporate finance is concerned with helping financial managers answer two broad questions: (1) what investment should the firm make? and (2) how should the firm pay for these investments? These decisions are made in the context of general economic conditions and under the scrutiny of the financial markets. The primary objective of financial management is to maximize the market value of the firm as determined by the financial markets.

■ Evaluation

Mid-term	45%
Final examination	45%
Quizzes (4)	10%
Total	<u>100%</u>

■ Course Learning Outcomes/Competencies

Upon successful completion, the student will be able to:

- Understand the conceptual framework of corporate finance and the role of the financial manager in maximizing the value of the firm. Appreciate the role corporate finance plays in enabling a firm to survive in an environment of accelerating change and competition.
- Understand the role and basic structure of the Canadian financial system.
- Understand the nature of interest rates and the relationships between interest rates, inflation, risk and foreign exchange rates.
- Understand the impact that short-term financial management policy has on the value of a firm. Measure a firm's level of liquidity by determining its cash conversion cycle. Determine a firm's optimal mix of working capital, i.e. cash, receivables, inventory and short-term debt.
- Compute the time value of money and be able to apply these techniques to solve various financial problems.
- Determine the value and yields of corporate bonds and stocks. Understand the relationship between market interest rates and bond prices. Understand how actual and expected rates of return are measured and their relevance to financial management.

- Understand how risk is measured and the relationship between risk and required rates of return. Determine required rates of return using the capital asset pricing model (CAPM). Understand the strengths and weakness of the CAPM and be aware of the alternatives to the CAPM. Determine expected portfolio returns given different levels of diversification.
- Calculate a firm's weighted average cost of capital.


■ **Verification**

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

J. Terry Gordon 
Authoring Instructor

August 29, 2002
Date

I verify that this course outline has been reviewed.

J. Terry Gordon 
Program Head/Chief Instructor

August 29, 2002
Date

I verify that this course outline complies with BCIT policy.

Time Edwards 
Dean/Associate Dean

August 29, 2002
Date

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

■ Instructor(s)

J. Terry Gordon Office Location: SE6 322 Office Phone: (604) 451-6774
Office Hrs.: Posted on office door E-mail Address: terry_gordon@bcit.ca
Instructor web page: www.faculty.org/fp/tgordon/
Course web page: www.finman.org

■ Learning Resources

Required:

Canadian Financial Management, 4th Edition, by Alfred Davis and George Pinches.
ISBN 0-201-72160-0, Addison-Wesley Longman Publishers

Financial calculator (Sharp EL-733A is **highly recommended**)

Recommended:

Study guide to accompany the above text is **not compulsory BUT may be useful**.

Access to a daily or weekly financial newspaper (e.g. *National Post*, *Globe and Mail*, *The Economist*) will be useful as many of our discussions in the seminars will be focused on current events in the world of finance.

Internet access for research purposes and to access the course web site.

■ Information for Students

Self Study Problems: Suggested self-study problems for each chapter are set out below. This homework will not be collected or marked, but it is essential that you work through the problems in order to understand the material and perform well on the exams. Time permitting, we will take up some of these problems during the labs. For your own sake, please resist the temptation to simply look at solutions without having worked through the problems yourself.

Quizzes: A number of short quizzes will be given over the term during the lab periods. I will “throw out” your worst quiz in determining your quiz mark for the term.

Course web site: I maintain a course web site, which is used for the dissemination of course news, lecture outlines and other resource material. Students are encouraged to download and print the applicable lecture outlines prior to each lecture and to check the site regularly (at least weekly) for news and announcements.

Makeup Tests, Exams or Quizzes: There will be **no** makeup 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 lab session. Students not present at that time will be recorded as absent.

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 instructor may change the material or schedule specified in this course outline. If changes are required, they will be announced in class.

Course Schedule

Week of:	Lecture Topic	Pre-read	Self study problems	Quiz
Sept. 2	Course orientation and introduction. Chapter 1: Why financial management matters	Chapters 1 & 2	None	
Sept. 9	Chapter 2: The Financial System, Interest Rates and Foreign Exchange	Chapter 21	1.1, 1.2,	
Sept. 16	Chapter 2 (continued) Chapter 21: Short-term Financial Management Policy	Chapter 22	2.2, 2.4, 2.5 (a), 2.6, 2.7, 2.9, 2.10	
Sept. 23	Chapter 22: Cash and Marketable Securities	Chapter 23	21.1, 21.2, 21.3, 21.5, 21.7	Chap. 1 & 2
Sept. 30	Chapter 23: (including Appendix 23A) Accounts Receivable and Inventory	Chapter 24	22.2, 22.3, 22.5, 22.10, 22.12, 22.13	
Oct. 7	Clean up and exam review	Exam review	23.3, 23.7, 23.8, 23A.2	Chap. 21 & 22
Oct. 14	Mid-term exam (45%) Chapters 1, 2, 21, 22, 23	None	None	
Oct. 21	Chapter 24: Short-term Financing	Chapter 3	None	
Oct. 28	Chapter 3 (omit Appendix 3A): Time Value of Money.	Chapter 4	24.3, 24.4, 24.6, 24.8, 24.12, 24.14	
Nov. 4	Chapter 4 (omit Appendix 4A): Valuation of Bonds and Stocks.	Chapter 5	3.2, 3.4, 3.9, 3.11, 3.13, 3.14, 3.17, 3.18, 3.22, 3.25	Chap 24
Nov. 11	Chapter 5 (omit Appendix 5A): Risk and Return.	Chapter 6	4.2, 4.3, 4.6, 4.8, 4.10, 4.11, Mini Case 4-1	
Nov. 18	Chapter 5 (continued) Chapter 6: The Opportunity Cost of Capital.	Exam review	5.2, 5.4, 5.7, 5.10, 5.11, 5.13, 5.19, 5.20, 5.22	Chap. 3 & 4
Nov. 25	Chapter 6 (continued)	Exam review	6.1, 6.2, 6.3, 6.4, 6.5, 6.9, 6.11, 6.14	
Dec. 2	Clean up and exam review			
Dec. 9	FINAL EXAM (45%) on Chapters 24, 3, 4, 5 and 6			