

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

COURSE OUTLINE

COURSE NAME FINANCE I AND II

COURSE NUMBER FMGT 3510 & 4510

DATE September 1994

Charles Priester

Prepared by F.C.B.A., B.COMM., M.A.

Taught to Second Year

School Business

School Business

Program Financial Management

Program Financial Management

Date Prepared August 1994

Option Accounting and Finance

Term 3 & 4 Hrs/Wk 4 Credits 4

No. of Weeks 12 & 18 Total Hours 48 & 72

R.B. McCallum, B.Eng, M.B.A., CMA

Instructor(s) C.L. Priester, F.C.B.A., B.Comm., M.A. Office TBA Local TBA

Office Hours Posted on office door.

PREREQUISITES

First Year Business — BCIT

COURSE OBJECTIVES

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

- Determine the effect of the financial environment on the corporation, i.e., the effects of taxation, form of organization, interest rates, inflation and the state of capital markets.
- Compute the time value of money, the effect of risk and return on value and the effect of cost of capital on the value of the firm.
- Analyze financial statements and the effects of cash flows on a firm's viability.
- 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.

COURSE OBJECTIVES (Cont'd)

- Set a dividend policy that will meet the twin goals of shareholder satisfaction and asset growth.
- Determine a firm's optimal mixture of working capital, i.e., cash, receivables, inventory and short term debt.
- Calculate the effects of mergers and acquisitions on the value of shareholders' investments.
- Calculate the potential advantages and disadvantages of leasing over buying fixed assets.
- Estimate a firm's need for external financing in the near future.
- Analyze the effect of issuing convertibles and warrants on shareholders' investments and on the issuing company.
- Appreciate the role corporate finance plays in enabling a firm to survive in an environment of accelerating change and competition.

EVALUATION

	<u>FIN I</u>	<u>FIN II</u>
Final Examination	<u>50</u> %	<u>30</u> %
Mid-Term(s)	<u>40</u> %	<u>60</u> %
Projects/Assignments	<u>10</u> %	<u>10</u> %

REQUIRED TEXT(S) AND EQUIPMENT

Basic Financial Management, Canadian Edition, by Petty, Keown et al. ISBN 0-13-287566-7, Prentice Hall.

Study Guide to accompany the above text is NOT COMPULSORY BUT STRONGLY RECOMMENDED.

REFERENCE TEXTS (optional)

Managerial Finance in a Canadian Setting, Peter Lusztig and Bernhard Schwab, Butterworth and Co. Ltd., Scarborough, Ontario, Fifth Edition.

COURSE SUMMARY

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 the 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 favorable terms as possible.

COURSE OUTLINE
(continued)

Week Number	Material Covered CORPORATE FINANCE 1 — FMGT 3510
1	Chapter 1: The Role of Financial Management. Goals, Risk versus Return. Price versus value.
2	Chapter 1 continued, Appendix 1A. The Accounting Statements, the Language of Finance.
3	Chapter 13: Introduction to Working Capital Management. Optimizing Current Asset and Current Liability Levels.
4	Chapter 14: Cash and Marketable Securities Management.
5	Chapter 15: Receivables and Inventory Management
6	MIDTERM EXAM on Chapters 1, 13, 14, 15
7	Chapter 2: The Financial Environment. Structure of Financial Markets, Forms of Business Organization, the Canadian Tax System. Appendix 2A.
8	Chapter 3: Risk and Rates of Return. Expected versus Required Return. Appendix 3A, 3B.
9	Chapter 3, Appendix 3A and 3B continued.
10	Chapter 4: The Valuation of Assets. Appendix 4A. Bond Valuations.
11	Chapter 4, and Appendix 4A continued
12	FINAL EXAM on previously covered material

Week Number	Course Material CORPORATE FINANCE II — FMGT 4510
1	Chapter 5: Cost of Capital, Weighted Average, Marginal, Project Specific.
2	Chapter 6: Capital Budgeting: NPV, IRR, Payback, Profitability Indices.
3	Chapter 7: Advanced Topics in Capital Budgeting, Risk Adjustments, Inflation Adjustments, Capital Rationing, Project Ranking.
4	Chapter 8: Financial Leverage and Financial Structure. Degrees of Operating and Financial Leverage. Break-Even Analysis.
5	Chapter 9: Planning a Firm's Financing Mix. Capital Structure Theories.
6	Review of Previous Material and Midterm Exam on Chapters 5, 6, 7, 8, 9
7	Chapter 10: Dividend Policies and the Need for Internal Financing. Dividend Procedures, Stock Dividends, Stock Splits, Share Buybacks.
8	Chapter 11: Evaluating Financial Performance; Statement and Ratio Analysis. Dupont Analysis. Trend Analysis.
9	Chapter 12: Financial Forecasting, Planning and Budgeting in the Short and Medium Term.
10	Appendix 12A Spreadsheets as a Tool for the Planning Process.
11	Review of Chapters 10, 11, 12, and Appendix 12A
12	MIDTERM EXAMINATION on previously covered material
13	Chapter 16: Sources and Costing of Short-Term Credit. Receivables and Inventory Financing. Revolving Loans, Lines of Credit.
14	Chapter 17: Long Term Financing, Debt and Equity Sources. The Underwriting Process, Private Placements, Bought Deals.

Week Number	Course Material CORPORATE FINANCE II — FMGT 4510
15	Chapter 18: Term Loans and Lease Financing. Chapter 19: Long Term Debt, Preferred and Common Share Issues.
16	Chapter 20: Convertibles, Warrants, and Futures.
17	Chapter 21 and 22: Corporate Restructuring, Failures, and Reorganization.
18	Review and FINAL EXAM