

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

COURSE OUTLINE

COURSE NAME FINANCE I and II

COURSE NUMBER FMGT 3510 and 4510

DATE September, 1994

Prepared by David K. Chan

Taught to 2nd Year

B. Comm., M.B.A., CA

School Business

School Business

Program Management Systems

Program Management Systems

Date Prepared September, 1994

Option _____

Term 3 and 4 Hrs/Wk 4 Credits _____

No. of Weeks 12 Total Hours 48

Instructor(s) David K. Chan Office SE6-381 Local 6753

Office Hours To be posted on office door.

PREREQUISITES N/A

COURSE OBJECTIVES

The purpose of the course is to give the student an appreciation of the role of finance in business and industry and an understanding of the interrelationships between finance and the other functional aspects of business. It is also the objective of the course to teach the student some common decision-making techniques in finance to enable her/him to react optimally under varying conditions within a business environment of ever increasing complexity.

EVALUATION

Final Examination	<u>40</u>	%
Mid-Terms (2 @ 30%)	<u>60</u>	%

REQUIRED TEXT(S) AND EQUIPMENT

Foundations of Financial Management
Stanley Block, Geoffrey Hirt, Douglas Short
Irwin Inc. 1994
Third Canadian Edition.

REFERENCE TEXTS AND RECOMMENDED EQUIPMENT

1. Study guide to accompany above (helpful but not compulsory).
2. Canadian Financial Management by Alfred Davis and George Pinches, Harper and Row.
3. Fundamentals of Financial Management by Vanhorne, Dipchand and Hanrahan, Prentice Hall, Fifth Canadian Edition.
4. Introduction to Financial Management by Schall, Haley and Schachter, McGraw-Hill Ryerson, Second Canadian Edition.

COURSE OUTLINE
(continued)

Week Lecture or Lab Number	Topic Coverage and Specific Unit Objectives	References
1	INTRODUCTION TO CORPORATE FINANCE <ul style="list-style-type: none"> • What is Corporate Finance • Goals of Financial Management • Financial Institutions, Financial Markets and the Corporation 	Chapter 1
2	REVIEW OF ACCOUNTING <ul style="list-style-type: none"> • Income Statement and Balance Sheet • Cash Flow • Taxes and Capital Cost Allowance 	Chapter 2
3	FINANCIAL ANALYSIS <ul style="list-style-type: none"> • Ratio Analysis • Use of Ratios to Analyze a Firm 	Chapter 3
4	FINANCIAL FORECASTING <ul style="list-style-type: none"> • Pro Forma Income Statement • Balance Sheet and Cash Budget 	Chapter 4
5	MID-TERM EXAM ON CH. 1, 2, 3, 4	
6	OPERATING AND FINANCIAL LEVERAGE <ul style="list-style-type: none"> • Breakeven Analysis 	Chapter 5
7	WORKING CAPITAL AND THE FINANCIAL DECISION <ul style="list-style-type: none"> • Liquidity • Hedging 	Chapter 6
8	CURRENT ASSET MANAGEMENT <ul style="list-style-type: none"> • Cash Management • Inventory Control • Management of Accounts Receivable 	Chapter 7
9	SOURCES OF SHORT-TERM FINANCING <ul style="list-style-type: none"> • Use of Bank Financing, Commercial Paper, EuroDollars and Hedging 	Chapter 8

COURSE OUTLINE
(continued)

Week Lecture or Lab Number	Topic Coverage and Specific Unit Objectives	References
10	MID-TERM EXAM ON CH 5, 6, 7, 8	
11	THE TIME VALUE OF MONEY <ul style="list-style-type: none">• Use of Calculation to Calculate Present and Future Values	Chapter 9
12	VALUATION AND RATES OF RETURN <ul style="list-style-type: none">• Valuation of Bonds, Preferred Stock and Common Stock	Chapter 10
13	REVIEW	
14	FINAL EXAMINATION	
The student is STRONGLY ADVISED to have read the chapter that will be covered BEFORE attending the class in order to improve their ability to grasp the material and allow as much time as possible for problem solving.		

COURSE OUTLINE
(continued)

Week Lecture or Lab Number	Material Covered	Chapter
1	COST OF CAPITAL <ul style="list-style-type: none"> • Calculating the Cost of Debt, Preferred Stock and Common Equity 	Chapter 11
2 & 3	THE CAPITAL BUDGETING DECISION <ul style="list-style-type: none"> • Use of the Internal Rate of Return and Net Present Value Methods 	Chapter 12
4 & 5	RISK AND CAPITAL BUDGETING <ul style="list-style-type: none"> • Use of Coefficient of Variation • Risk Adjusted Discount Rates • Decision Trees • Simulation 	Chapter 13
6	MID-TERM EXAM ON CHAPTERS 11, 12, 13	
7	CAPITAL MARKETS <ul style="list-style-type: none"> • Difference between Money and Capital Markets 	Chapter 14
8	INVESTMENT UNDERWRITING <ul style="list-style-type: none"> • Public and Private Placements • Leveraged Buyouts 	Chapter 15
9 & 10	LONG TERM DEBT AND LEASE FINANCING <ul style="list-style-type: none"> • Use of Bonds • Bond Refunding • Use of Lease Financing 	Chapter 16
11	MID-TERM EXAM ON CHAPTERS 14, 15, 16	
12	COMMON AND PREFERRED STOCK FINANCING <ul style="list-style-type: none"> • Differences between Use of Preferred and Common Shares • Use of Rights Offerings 	Chapter 17

COURSE OUTLINE
(continued)

Week Lecture or Lab Number	Material Covered	Chapter
13	DIVIDEND POLICY AND RETAINED EARNINGS <ul style="list-style-type: none"> • Relevance of Dividends • Use of Stock Dividends, Stock Splits 	Chapter 18
14	CONVERTIBLES AND WARRANTS <ul style="list-style-type: none"> • Valuation of Convertibles • Financing through Warrants 	Chapter 19
15	EXTERNAL GROWTH THROUGH MERGERS <ul style="list-style-type: none"> • Financial and Non-Financial Motives • Terms of Exchange 	Chapter 20
16	INTERNATIONAL FINANCIAL MANAGEMENT <ul style="list-style-type: none"> • Exchange Rates • Risks 	Chapter 21
	FINAL EXAMINATION	