

BRITISH COLUMBIA INSTITUTE OF
TECHNOLOGY

FMGT 3510 & 4510 Finance I & II

School of Business
Program: Financial Management
Option: Finance

Hours/Week:	4	Total Hours:	48 & 72	Term/Level:	3 & 4
Lecture:	2	Total Weeks:	12 & 18	Credits:	4
Lab:	2				
Other:					

Prerequisites

FMGT 3510 & 4510 is a Prerequisite for:

Course No.: 1st Year Business — BCIT
Course Name:

Course No.:
Course Name:

Course Record

Developed by:	<u>R. B. McCallum</u> Instructor Name and Department	Date:	<u>June, 1998</u>
Revised by:	<u>R. B. McCallum</u> Instructor Name and Department	Date:	<u>August, 1999</u>
Approved by:	_____ Associate Dean / Program Head	Start Date:	_____

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 favorable terms as possible.

Course Goals

(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.
- Perform time value of money calculations; compute the effect of risk and return on the cost of capital and 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.
- 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 versus 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>FINANCE I</u>		<u>FINANCE II</u>
Final Examination	50%		40%
Mid-Term	40%		40%
Projects/Assignments *	<u>10%</u>		<u>20%</u>
TOTAL	100%	TOTAL	100%

* See Assignment Details, page 3.

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Course Outline Part B

FMGT 3510 & 4510 Finance I & II

Effective Date

September, 1999

Instructor(s)

R.B. McCallum, B.Eng, M.B.A., CMA, CFP Office No.: SE6 385

Phone: 451-6754

Office Hours: To be announced

e-mail: rmccallu@bcit.bc.ca

Text(s) and Equipment

Required:

Canadian Financial Management, Third Edition, by Alfred Davis and George Pinches.
ISBN 0-673-99331-0, Addison-Wesley Publishers

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

Financial Calculator (Sharp EL-733A is recommended)

Course Notes (Policies and Procedures)

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 course outline in a safe place for future reference.
2. Acts of cheating, plagiarism and dishonesty are not tolerated; the degree of punitive action may range from a written warning to expulsion from the Institute.

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 the course mark will be based entirely on exams. In Fmgt 4510, a second 10 percent will be based either on a major project or on the Business Simulation.

Week Number	Outcome/Material Covered
	CORPORATE FINANCE I — FMGT 3510
1	Chapter 1: The Financial Management Environment. Goals, Seven Key Ideas of Financial Management.
2	Chapter 2: The Financial System, Interest Rates, and Foreign Exchange. Structure of Financial Markets, Term Structure of Interest Rates, Foreign Exchange Rates.
3	Chapter 21: Short-Term Financial Management Policy. Optimizing Current Asset and Current Liability Levels.
4	Chapter 22: Cash and Marketable Securities.
5	Chapter 23: Accounts Receivable and Inventory.
6	MIDTERM EXAM (40%) on Chapters 1, 2, 21, 22, 23
7	Chapter 24: Short-Term Financing Receivables and Inventory Financing, Revolving Loans, Lines of Credit
8	Chapter 3: Time Value of Money. plus Appendix 3A.
9	Chapter 4: Valuation of Bonds and Stocks. Placing a value on a bond; on a share of preferred or common stock.
10	Chapter 5: Risk and Return. Measuring Risk, Capital Asset Pricing Model.
11	Chapter 6: The Opportunity Cost of Capital. Computation of the Cost of Debt, Preferred, and Common Equity Funds; Combining these to get an Overall Cost of Capital.
12	FINAL EXAM (50%) on previously covered material.

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Week Number	To be Handed in	To do in Labs
	ASSIGNMENTS	ASSIGNMENTS
1	Chapter 1: nothing	Chapter 1: Questions at end of chapter Prob. 1.1, 1.2
2	Chapter 2: Prob. 2.3, 2.6, 2.7, 2.10	Chapter 2: Prob. 2.2, 2.5, 2.8, 2.9
3	Chapter 21: Prob. 21.2, 21.7	Chapter 21: Prob. 21.1, 21.6, 21.8
4	Chapter 22: Prob. 22.5, 22.10, 22.12	Chapter 22: Prob. 22.3, 22.4, 22.9, 22.13
5	Chapter 23: Prob. 23.2, 23.8, 23A.2	Chapter 23: Prob. 23.6, 23.7, 23.9, 23A.3
6	No assignment	Review
7	Chapter 24: Prob. 24.4, 24.6, 24.13	Chapter 24: Prob. 24.3, 24.7a, 24.8, 24.10a, 24.14
8	Chapter 3: Prob. 3.4, 3.9, 3.15, 3.18	Chapter 3: Prob. 3.2, 3.11, 3.13, 3.17, 3.26
9	Chapter 4: Prob. 4.1, 4.10, 4.14	Chapter 4: Prob. 4.2, 4.5, 4.8, 4.9, 4.11, 4.16, 4.17
10	Chapter 5: Prob. 5.4, 5.6, 5.10, 5.13, 5.23	Chapter 5: Prob. 5.3, 5.7, 5.11, 5.15, 5.16, 5.19, 5.20, 5.22
11	Chapter 6: Prob. 6.8, 6.12, 6.15	Chapter 6: Prob. 6.1, 6.2, 6.3, 6.4, 6.6, 6.9, 6.11, 6.13, 6.14
12	No assignment	Review

Week Number	Outcome/Material Covered
	CORPORATE FINANCE II— FMGT 4510
1	Chapter 7: Capital Budgeting Techniques. NPV, IRR, Payback, Profitability Indices, Capital Rationing.
2	Chapter 8: Application of Capital Budgeting Techniques. Introducing Taxes and Tax Shields, Estimating Cash Flows.
3	Chapter 9: Risk and Capital Budgeting Sensitivity Analysis, Break-Even Analysis, Simulation.
4	Chapter 10: Raising Long-Term Funds. The Underwriting Process, Private Placements, Bought Deals.
5	Chapter 11: Liability Management. Financing with and Management of Long-Term Debt and Preferred Shares.
6	Chapter 12: Taxes and Capital Structure. The Theory of Capital Structure and its Impact on Firm Value. Appendix 12A: Operating, Financial and Combined Leverage.
7	Chapter 13: The Dynamics of the Capital Structure Decision.
8	Chapter 14: Dividend Policy. Dividend Procedures, Stock Dividends, Stock Splits, Share Buybacks
9	MIDTERM EXAM (40%) on Chapters 7, 8, 9, 10, 11, and 12.
10	Midterm Break
11	Chapter 15: Leasing. Evaluation of Financial Leases.
12	Chapter 25: Analyzing Accounting Statements. Statement and ratio analysis, DuPont analysis, Trend analysis.
13	Chapter 16: Mergers and Corporate Restructuring Chapter 17: International Financial Management
14	Chapter 26: Financial Planning and Forecasting.
15	Chapter 18: Options Valuing of options using the Black-Scholes model
16	Chapter 20: Warrants and Convertibles.
17 & 18	The Business Simulation
19	Review and FINAL EXAM (40%) .

Week Number	To be Handed in	To do in Labs
	ASSIGNMENTS	ASSIGNMENTS
2	Chapter 7: Prob. 7.4, 7.11, 7.15	Chapter 1: Prob. 7.1, 7.5, 7.6, 7.9, 7.12, 7.13, 7.14, 7.16, 7.17
3	Chapter 8: Prob. 8.2, 8.8, 8.11	Chapter 8: Prob. 8.1, 8.3, 8.6, 8.9, 8.13, 8.17
4	Chapter 9: Prob. 9.3, 9.6, 9.10	Chapter 9: Prob. 9.2, 9.5, 9.8, 9.9
5	Chapter 10: Prob. 10.5, 10.9, 10.13	Chapter 10: Prob. 10.1, 10.3, 10.4, 10.6, 10.8, 10.10, 10.12
6	Chapter 11: Prob. 11.11, 11A.2	Chapter 11: Prob. 11.1, 11.4, 11.6, 11.10, 11A.1
7	Chapter 12: Prob. 12.7, 12.12, 12.13	Chapter 12: Prob. 12.2, 12.4, 12.6, 12.10, 12.14, 12A.1, 12A.2
8	Chapter 13: Prob. 13.2	Chapter 13: Prob. 13.3, 13.4
9 & 10	No Assignment	Review and Break
11	Chapter 14: Prob. 14.1, 14.3, 14.15	Chapter 14: Prob. 14.2, 14.4, 14.9, 14.11, 14.13, 14.14
12	Chapter 15: Prob. 15.3, 15.6, 15.7	Chapter 15: Prob. 15.1, 15.4, 15.8, 15.9
13	Chapter 25: T.B.A.	Chapter 25: T.B.A.
14	Chapter 16: 16.4, 16.14 Chapter 17: 17.1, 17.9, 17.10	Chapter 16: 16.4, 16.5, 16.12 Chapter 17: 17.2, 17.7, 17.11
15	Chapter 26: Prob. 26.9	Chapter 26: Prob. 26.10. Other
16	Chapter 18: Prob. 18.11, 18.12	Chapter 18: Prob. 18.7, 18.10
17	Chapter 20: Prob. 20.1, 20.10	Chapter 20: Prob. 20.3, 20.7, 20.9
18 & 19	No assignment	Work on Simulation and Review