



A POLYTECHNIC INSTITUTION

School of Business

Program: Financial Management

Option: Finance

**FMGT 3510****Finance 1****Start Date:** September 2006**End Date:** December 2006**Total Hours:** 60 **Total Weeks:** 15**Term/Level:** 3 **Course Credits:** 4**Hours/Week:** 4 **Lecture:** 2 **Lab:** 2**Prerequisites**1<sup>st</sup> year BCIT business courses**FMGT 3510 is a Prerequisite for:**

Course No	Course Name
FMGT 4510	Finance 2

**• 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.

**• Evaluation**

Mid-term	40%
Final examination	45%
Quizzes	15%
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 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

\_\_\_\_\_  
Date

I verify that this course outline has been reviewed.

J. Terry Gordon

Program Head/Chief Instructor

\_\_\_\_\_  
Date

I verify that this course outline complies with BCIT policy.

Tim Edwards

Dean/Associate Dean

\_\_\_\_\_  
Date

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

- **Instructors**

**J. Terry Gordon, BA, Dip.T., CA, CBV**

Office: SE6 361  
Telephone: (604) 451-6774  
Email: [terry\\_gordon@bcit.ca](mailto:terry_gordon@bcit.ca)  
Course web page: <http://www.finman.org/>

**Larry J. Stubbs, BsC, CFA, CFP, RFP, CIM**

Office: SE6 319  
Telephone: (604) 451-6937  
Email: [larry\\_stubbs@bcit.ca](mailto:larry_stubbs@bcit.ca)

## • Learning Resources

### *Required:*

*Fundamentals of Corporate Finance, Fifth Canadian Edition* by Ross, Westerfield, Jordan and Roberts.  
ISBN 0-07-91659-4, McGraw-Hill Ryerson

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

### *Recommended:*

Publisher's online learning centre: <http://www.mcgrawhill.ca/college/ross>

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.

## • Information for Students

**Self Study & Lab Problems:** Suggested self-study problems will be assigned throughout the term (see Course Schedule). 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 many 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. We will "throw out" your worst quiz in determining your quiz mark for the term.

**Makeup Exams & Quizzes:** There will be **no** makeup exams or quizzes. If you miss an exam or quiz, you will receive zero marks. Exceptions may be made for **documented** medical reasons or other extenuating circumstances. In such cases, it is the responsibility of the student to inform the instructor **as soon as possible**.

**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 (see <http://www.bcit.ca/files/pdf/policies/5002.pdf>). 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	Self Study & Lab Problems
Sept. 4	Course orientation and introduction.	None
Sept. 11	<b>Chapter 1:</b> Introduction to Corporate Finance	Chapter 1 Concept Review & Critical Thinking Questions ("CRCTQ") Time Value of Money Handout
Sept. 18	<b>Chapter 2:</b> Financial Statements, Taxes and Cash Flow	Chapter 2 CRCTQ; Chapter 2 Problems: 15, 16, 20, 21, 22, 23, 27, 34 (Assume taxpayer is a BC resident and use tax rates from the lecture notes)
Sept. 25	<b>Chapter 2 (continued)</b> <b>Chapter 18:</b> Short-term Finance and Planning	Complete Chapter 2 Problems Chapter 18 Problems: 6, 13, 14, 16, 17
Oct. 2	<b>Chapter 19:</b> Cash and Liquidity Management	Complete Chapter 18 Problems Chapter 19 Problems: 2, 3, 11, 12, A2, A5, A7 & A9
Oct. 9	<b>Chapter 20:</b> Credit and Inventory Management	Complete Chapter 19 Problems Chapter 20 Problems 5, 7, 9, 11 & Handout
Oct. 16	<b>Catch up and exam review</b>	Complete Chapter 20 Problems & Handout
Oct. 23	<b>MID-TERM EXAM (40%)</b> <b>Chapters 1, 2, 18, 19 &amp; 20</b>	None
Oct. 30	<b>Chapters 5 &amp; 6:</b> Review of Time value of Money	Debrief mid-term exam; Chapter 5 Problems: 15, 16, 17, 18, 20
Nov. 6	<b>Chapter 7:</b> Valuation of Bonds	Chapter 6 Problems: 4, 10, 12, 27, 28, 32, 37, 47, 52, 54, 59, 61, 65, 69, 72, 73
Nov. 13	<b>Chapter 8:</b> Valuation of Stock	Chapter 7 Problems: 6, 7, 8, 16, 17, 19, 24, 27, 28 Chapter 8 Problems: 1, 2, 6, 10, 12, 13, 15, 17, 23, 24
Nov. 20	<b>Chapters 12 &amp; 13:</b> Risk and Return	Complete Chapter 8 Problems Chapter 12 Problems: 1, 2, 3, 4, 5, 7, 9, 10, 13, 14
Nov. 27	<b>Chapters 12 &amp; 13 (continued)</b>	Complete Chapter 12 Problems Chapter 13 Problems 6, 7, 10 (a), 12, 14, 15, 16, 19, 20, 21, 28, 29
Dec. 4	<b>Catch up and exam review</b>	Complete Chapter 13 Problems
Dec. 11	<b>FINAL EXAM (45%) on Chapters 5, 6, 7, 8, 12 &amp; 13,</b>	None

# FMGT 3310 Midterm Review – Practice Questions

## Question 1 -

Jungle Fever Corporation acquired land in 2006 that they will hold as a LT investment. The land is carried in the books at a cost of \$750,000. What factors should the auditors consider in obtaining audit evidence by personally examining the land?

- *physical examination is a good source of evidence since it is obtained directly by the auditor*
- *what the time and cost will be versus the type of evidence to be provided*
- *how material the land is relative to the financial statements*

Which management assertion would be met by the auditor observing the land?

- *existence*

What other 2 management assertions would be important with respect to the land?

- *rights and obligations*
- *valuation*

What other types of audit evidence could be used?

- *documentation*

## Question 2 -

Sarah Loriegh, PA, has been appointed the senior auditor for the audit of Fancy Donuts Limited, a national franchisor with 300 locations. Fancy Donuts was founded in 1975 and is a public company with a November 30<sup>th</sup> year end. The firm was appointed as the auditors at the September shareholders meeting.

### **Required:**

Identify the phases of the preplanning process associated with risk assessment and audit planning. For each phase, identify at least one task that Lori's firm should have undertaken or should undertake a part of the planning process.

**Additional practice questions -**

Text book 6-21 parts 1 to 4

	<b>Audit Procedure</b>	<b>a. Type of Audit Evidence</b>	<b>b. General Audit Objective</b>
1.	<i>Using audit software, extend unit prices times quantity on the inventory list, foot the list, and compare the total to the general ledger.</i>	<i>Reperformance</i>	<i>Detail tie-in</i>
2.	<i>Trace selected quantities from the inventory list to the physical inventory to make sure the items exist and the quantities are the same.</i>	<i>Physical examination</i>	<i>Existence and accuracy</i>
3.	<i>Question operating personnel about the possibility of obsolete or slow-moving inventory.</i>	<i>Enquiry of the client.</i>	<i>Valuation</i>
4.	<i>Select a sample of quantities of inventory in the factory warehouse, and trace each item to the inventory count sheets to determine if it has been included and if the quantity and description are correct.</i>	<i>Physical examination</i>	<i>Completeness</i>