



A POLYTECHNIC INSTITUTION

School of Business  
Program: Financial Management  
Option: Accounting

**FMGT 4510**  
**Finance 2**

<b>Start Date:</b> January, 2004	<b>End Date:</b> May, 2004
<b>Total Hours:</b> 72 <b>Total Weeks:</b> 18	<b>Term/Level:</b> 4 <b>Course Credits:</b> 4
<b>Hours/Week:</b> 4 <b>Lecture:</b> 2 <b>Lab:</b> 2	<b>Shop:</b> <b>Seminar:</b> <b>Other:</b>

**Prerequisites**

Course No.	Course Name
FMGT 3510	Finance 1

**FMGT 4510 is a Prerequisite for:**

Course No.	Course Name
	Graduation

■ **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.

■ **Detailed Course Description**

■ **Evaluation**

Final Exam	45%	Comments: * See Assignment Details, page 3.
Midterm	45%	
Projects/Assignments *	10%	
<b>TOTAL</b>	<b>100%</b>	

■ **Course Learning Outcomes/Competencies**

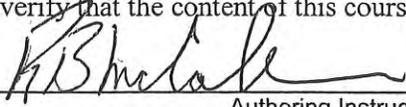
Upon successful completion, the student will be able to:

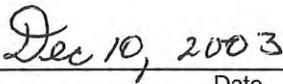
- Appreciate the role corporate finance plays in enabling a firm to survive in an environment of accelerating change and competition.
- Describe, in their own words, the common terminology in the field of corporate finance
- Analyze the desirability of an investment in fixed assets under conditions of 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.
- Calculate the effect of mergers and acquisitions on the value of shareholders' investments.

- Apply the most common techniques to reduce exchange rate risk
- Calculate the potential advantages and disadvantages of leasing versus buying fixed assets.
- Price a call option using the Black-Scholes Model
- Estimate the effect of issuing warrants and convertibles on shareholders' investments and on the value of the issuing company.
- Analyze financial statements and the effects of cash flows on a firm's viability.
- Estimate a firm's need for external financing in the future.

■ **Verification**

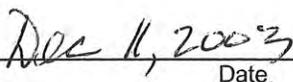
I verify that the content of this course outline is current.

  
\_\_\_\_\_  
Authoring Instructor

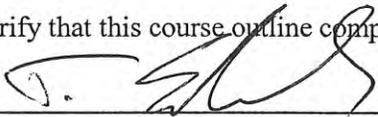
  
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Date

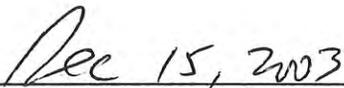
I verify that this course outline has been reviewed.

  
\_\_\_\_\_  
Program Head/Chief Instructor

  
\_\_\_\_\_  
Date

I verify that this course outline complies with BCIT policy.

  
\_\_\_\_\_  
Dean/Associate Dean

  
\_\_\_\_\_  
Date

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

## ■ Instructor(s)

R.B. McCallum, B.Eng., Office Location: SE6-381 Office Phone: 604-456-8171  
M.B.A., CMA, CFP Office Hrs.: To be announced E-mail Address: rick\_mccallum@bcit.ca

## ■ Learning Resources

### *Required:*

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

Financial calculator (Sharp EL-733A is recommended).

### *Recommended:*

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

## ■ Information for Students

*(Information below can be adapted and supplemented as necessary.)*

**Assignments:** Late assignments, lab reports or projects will **not** be accepted for marking. Assignments must be done on an individual basis unless otherwise specified by the instructor.

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

**Illness:** A doctor's note is required for any illness causing you to miss assignments, quizzes, tests, projects or exam. At the discretion of the instructor, you may complete the work missed or have the work prorated.

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

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 outline in a safe place for future reference.
2. In order to write exams, students will be required to produce photo identification at examination centres.

## ■ 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 this 10 percent will be allocated equally to the exams.

### Schedule

Week Number	Outcome/Material Covered
1	<b>Chapter 7: Capital Budgeting Techniques</b> NPV, IRR, Payback, Profitability Indices, Capital Rationing
2	<b>Chapter 8: Application of Capital Budgeting Techniques</b> Introducing Taxes and Tax Shields, Estimating Cash Flows
3	<b>Chapter 9: Risk and Capital Budgeting</b> Sensitivity Analysis, Break-Even Analysis, Simulation
4	<b>Chapter 10: Raising Long-Term Funds</b> The Underwriting Process, Private Placements, Bought Deals
5	<b>Chapter 11: Liability Management</b> Financing with and Management of Long-Term Debt and Preferred Shares
6	<b>Chapter 12: Taxes and Capital Structure</b> The Theory of Capital Structure and its Impact on Firm Value <b>Appendix 12A: Operating, Financial and Combined Leverage</b>
7	<b>Chapter 13: The Dynamics of the Capital Structure Decision</b>
8	<b>Chapter 14: Dividend Policy</b> Dividend Procedures, Stock Dividends, Stock Splits, Share Buybacks
9	<b>Review</b>
10	<b>MIDTERM EXAM (40%)</b> on Chapters 7, 8, 9, 10, 11, 12 and 13
11	<b>Midterm Break</b>
12	<b>Chapter 15: Leasing</b> Evaluation of Financial Leases
13	<b>Chapter 18: Options</b> Valuing of Options Using the Black-Scholes Model
14	<b>Chapter 20: Warrants and Convertibles</b>
15	<b>Chapter 16: Mergers</b>
16	<b>Chapter 17: International Finance</b>
17	<b>Chapter 25: Analyzing Accounting Statements</b> Statement and Ratio Analysis, DuPont Analysis, Trend Analysis
18	<b>Chapter 26: Financial Planning and Forecasting</b>
19	<b>Review</b>
20 and 21	<b>Final Exam (40%)</b>

<b>Week Number</b>	<b>To be Handed in</b>	<b>To do in Labs</b>
2	<b>Chapter 7:</b> Prob. 7.4, 7.11, 7.15	<b>Chapter 7:</b> Prob. 7.1, 7.5, 7.6, 7.9, 7.12, 7.13, 7.14, 7.16, 7.17
3	<b>Chapter 8:</b> Prob. 8.2, 8.8, 8.11	<b>Chapter 8:</b> Prob. 8.1, 8.3, 8.6, 8.9, 8.13, 8.17
4	<b>Chapter 9:</b> Prob. 9.3, 9.6, 9.10	<b>Chapter 9:</b> Prob. 9.2, 9.5, 9.8, 9.9
5	<b>Chapter 10:</b> Prob. 10.5, 10.9, 10.13	<b>Chapter 10:</b> Prob. 10.1, 10.3, 10.4, 10.6, 10.8, 10.10, 10.12
6	<b>Chapter 11:</b> Prob. 11.11, 11A.2	<b>Chapter 11:</b> Prob. 11.1, 11.4, 11.6, 11.10, 11A.1
7	<b>Chapter 12:</b> Prob. 12.7, 12.12, 12.13	<b>Chapter 12:</b> Prob. 12.2, 12.4, 12.6, 12.10, 12.14, 12A.1, 12A.2
8	<b>Chapter 13:</b> Prob. 13.2	<b>Chapter 13:</b> Prob. 13.3, 13.4
9, 10 & 11	<b>No Assignment</b>	<b>Review and Break</b>
12	<b>Chapter 14:</b> Prob. 14.1, 14.3, 14.15	<b>Chapter 14:</b> Prob. 14.2, 14.4, 14.9, 14.11, 14.13, 14.14
13	<b>Chapter 15:</b> Prob. 15.3, 15.6, 15.7	<b>Chapter 15:</b> Prob. 15.1, 15.4, 15.8, 15.9
14	<b>Chapter 18:</b> Prob. 18.11, 18.12	<b>Chapter 18:</b> Prob. 18.7, 18.10
15	<b>Chapter 20:</b> Prob. 20.1, 20.10	<b>Chapter 20:</b> Prob. 20.3, 20.7, 20.9
16	<b>Chapter 16:</b> Prob. 16.4, 16.7, 16.12	<b>Chapter 16:</b> Prob. 16.1, 16.2, 16.5, 16.8a, 16.11, 16.13
17	<b>Chapter 17:</b> Prob. 17.3, 17.7, 17.10	<b>Chapter 17:</b> 17.2, 17.4 (omit c), 17.6, 17.9, 17.11
18	<b>Chapter 25:</b> Prob. 25.6, 25.7	<b>Chapter 25:</b> Prob. 25.1, 25.5, 25.8
19	<b>Chapter 26:</b> Prob. 26.9	<b>Chapter 26:</b> Prob. 26.10, Other

