



BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

School of Business
Program: Financial Management
Option: Accounting

Table with 4 columns: Hours/Week, Lecture, Lab, Total Hours, Total Weeks, Term/Level, Credits. Values include 4, 2, 2, 48 & 72, 12 & 18, 3 & 4, 4.

Prerequisites

1st Year Business — BCIT

Course Record

Developed by: J. Terry Gordon / Financial Management (Signature: Terry Gordon) Date: August, 1998

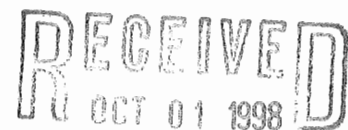
Revised by: _____ (Signature) Date: _____

Approved by: _____ (Signature) 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 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.



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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.
- 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.
- 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>
Mid-term	40%
Final examination	50%
Projects, quizzes and participation *	<u>10%</u>
Total	<u>100%</u>

	<u>Finance II</u>
Mid-terms (2)	50%
Final examination	40%
Projects, quizzes and participation *	<u>10%</u>
Total	<u>100%</u>

*Details to follow

Instructor

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Text and Equipment

Required:

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

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

Recommended:

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

A subscription to a daily or weekly financial newspaper (e.g. *Financial Post*, *Globe and Mail* Report on Business section, *The Economist*) will be useful as many of our discussions in the labs will be focused on current events in the world of finance.

Internet access for research purposes and to access the course web site.

Course Policies and Procedures

- *Course Outline Changes*: This course outline is subject to change at the discretion of the instructor. If changes are required, they will be announced in class and/or a revised outline distributed.
- *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.
- *Illness*: A doctor's note is required for any illness that causes you to miss, quizzes, projects or exams. At the discretion of the instructor, you may complete the work missed or have the requirement for the work waived (i.e. the missed work is not counted in the determination of your final mark for the course).
- *Makeup Exams or Quizzes*: There will be no makeup exams or quizzes. If you miss a test or quiz, you will receive zero marks. Exceptions may be made for documented medical reasons or other extenuating circumstances (see above).
- *Labs*: Lab attendance is mandatory. Poor attendance may result in a low participation mark for the course

Homework Assignments

Suggested self-study problems for each chapter are set out below. 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. The solutions to these problems will be available for review during the lab sessions and time permitting, we may take up some of these problems during the labs. For your own sake, please resist the temptation to simply look at solutions to the problems without having worked through them yourself.

Week Number	Outcome/Material Covered
	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.

Week Number	Homework	To Be Done During Lab Periods
	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
	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	MIDTERM EXAM (30%) on Chapters 7, 8, 9, 10, 11, and 12.
9	Chapter 14: Dividend Policy. Dividend Procedures, Stock Dividends, Stock Splits, Share Buybacks.
10	Chapter 15: Leasing. Evaluation of Financial Leases.
11	Chapter 25 Analyzing Accounting Statements. Statement and ratio analysis, DuPont analysis, Trend analysis.
12	MIDTERM EXAM (20%) on Chapters 13, 14, 15 and 25.
13	Chapter 26: Financial Planning and Forecasting.
14	Chapter 18: Options Valuing of options using the Black-Scholes model
15	Chapter 20: Warrants and Convertibles.
16	Projects
17	Projects
18	Review and FINAL EXAM (40%) .

List of problems for Finance II will be distributed at the start of 4th term in January.