



MAR 03 1997

MIDTERM #1 TO BE  
CHANGED TO MIDTERM WEEK**BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY**

School of Business  
Program: Financial Management  
Option: Accounting & Finance

**FMGT 4510 Finance II****AMENDED 1/97**

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|                    |          |                     |           |                    |          |
|--------------------|----------|---------------------|-----------|--------------------|----------|
| <b>Hours/Week:</b> | <b>4</b> | <b>Total Hours:</b> | <b>72</b> | <b>Term/Level:</b> | <b>4</b> |
| <b>Lecture:</b>    | <b>2</b> | <b>Total Weeks:</b> | <b>18</b> |                    |          |
| <b>Lab:</b>        | <b>2</b> |                     |           |                    |          |

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**Prerequisites**

Course No: FMGT 3510

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**Course Description**

The purpose of the course is to give students an understanding of the role finance plays in businesses 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 favourable terms as possible

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**Course Goals**

- 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 the value and the effect of the 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.
  - Calculate the effects of mergers and acquisitions on the value of shareholders' investments.
  - Calculate the potential advantages and disadvantages of leasing over 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 issuer.
  - Appreciate the role corporate finance plays in enabling a firm to survive in an environment of accelerating change and competition.
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**Evaluation**

|                      |             |
|----------------------|-------------|
| Final Examination    | 30%         |
| Midterm Tests        | 55%         |
| Projects/Assignments | 15%         |
| <b>TOTAL</b>         | <b>100%</b> |

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**Instructor,**

L. M. Pankratz, HBA, CA, CFA

Office #:

SE6 - 379

Telephone:

TBA

Office Hrs:

As posted.

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**Text(s) and Equipment**

Required:

*Basic Financial Management, Canadian 2nd Ed., Petty, Keown et al.*

ISBN 0-13-570441-3, Prentice Hall.

Study Guide to accompany the above text is not compulsory but strongly recommended.

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**Course Notes (Policies and Procedures)**

- It is assumed that the student is thoroughly familiar with the basics of finance (e.g. PV, FV, IRR) and business statistics, subjects covered in the first year. It is assumed that all students have a familiarity with the use of hand held calculators.
- Acts of cheating, plagiarism, and dishonesty will not be tolerated. The degree of punitive action may range from a grade of zero for the assignment, test, exam, or project for all parties involved and/or expulsion from the course.
- Late assignments or projects will not be accepted for marking. Assignments must be done on an individual basis unless otherwise specified by the instructor.
- Course Outline Changes: The material specified in this course outline may be changed by the instructor. If changes are required, they will be announced in class.
- 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 (i.e. an average is given according to your performance throughout the course).
- 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.

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**Assignments**

Assignments will be given to increase the depth of knowledge of particular topics chosen from the chapters covered in FMGT 4510.



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Schedule  
FMGT 4510 Finance II  
Amended 1/97

| Week of/<br>Number | Outcome/Material Covered  |
|--------------------|---|
|                    | <b>CORPORATE FINANCE II - FMGT 4510</b>   |
| 1                  | <b>Chapter 13: Capital Budgeting Techniques</b><br>NPV, IRR, Payback, Profitability Indices                                     |
| 2                  | <b>Chapter 14: Cashflows and Other Topics in Capital Budgeting</b>  |
| 3                  | <b>Chapter 15: Capital Budgeting and Risk Analysis</b><br>Risk Adjustments, Inflation Adjustments                               |
| 4                  | <b>Chapter 16: Applications of Capital Budgeting</b><br>Bond Refunding, Lease vs Purchase                                       |
| 5                  | <b>Chapter 7: Raising Capital in the Financial Market</b><br>The Underwriting Process, Private Placements, Bought Deals         |
| 6                  | <b>MIDTERM EXAM (30%)</b>   |
| 7                  | <b>Chapter 8: Analysis and Impact of Leverage</b><br>Degrees of Operating and Financial Leverage, Break-even Analysis           |
| 8                  | <b>Chapter 9: Planning the Firm's Financing Mix</b><br>Capital Structure Theories   |
| 9                  | <b>Chapter 10: Dividend Policy and Internal Financing</b><br>Dividend Procedures, Stock Dividends, Stock Splits, Share Buybacks |
| 10                 | <b>Chapter 11: Short - Term Financing</b><br>Receivables and Inventory Financing, Revolving Loans, Lines of Credit              |
| 11                 | <b>Chapter 12: Cost of Capital</b><br>Weighted Average, Marginal  |
| 12                 | <b>Chapter 20: Evaluating Financial Performance</b><br>Statement and Ratio Analysis, DuPont Analysis, Trend Analysis            |
| 13                 | <b>MIDTERM EXAM (25%)</b>   |
| 14                 | <b>Chapter 21: Financial Forecasting, Planning and Budgeting</b>  |
| 15                 | <b>Chapter 22: The Use of Futures and Options to Reduce Risk</b><br>Convertible Securities and Warrants                         |
| 16                 | <b>Case / Integration</b>   |
| 17                 | <b>Case / Integration</b>   |
| 18                 | <b>Review and Final Exam (30%)</b>  |

\* This schedule is subject to change at the discretion of the instructor.