



SEP 26 2002

Course Outline

FMGT 4510 Finance IIBRITISH COLUMBIA INSTITUTE OF
TECHNOLOGY

School of Business

Program: Financial Management

Option: Finance

Hours/Week:	4	Total Hours:	80	Term/Level:	4
Lecture:	2	Total Weeks:	20	Credits:	4
Lab:	2				

Prerequisites1st Year Business — BCIT

Course Record

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

Revised by: J. Terry Gordon/Jerome Gessaroli/ Financial Management Date: January, 2002
Instructor Name and Department (Signature)

Approved by: T.J. EDWARDS Date: Jan 2002
Associate Dean / Program Head (Signature)

Course Description

The purpose of the course is to give the student an understanding of the role finance plays in business and to build upon the concepts learned in FMGT 3510.

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.

Course Objectives

Upon successful completion of this course, the student will be able to:

Finance 2

- Analyze the desirability of an investment in capital assets under conditions of certainty and risk.
- Understand how a firm raises long-term capital. Determine the best way to finance a firm through a mixture of long-term debt and and/or equity.
- Understand how corporate taxes and various transaction costs impact on the capital structure of the firm.
- Set a dividend policy that will meet the twin goals of shareholder satisfaction and asset growth.
- Calculate the potential advantages and disadvantages of leasing versus buying capital assets.
- Calculate the effects of mergers and acquisitions on the value of shareholders' investments.
- Understand the basic mechanics of options as well as calculate their value. Understand the applicability of general option concepts to other aspects of financial management.
- Analyze the effect of issuing convertibles and warrants on shareholders' investments and on 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 near future. Prepare pro-forma financial statements given certain assumptions regarding revenue and costs and their relationship to various balance sheet accounts.

Evaluation

	<u>Finance 2</u>
Mid-term	45%
Final examination	45%
Quizzes	<u>10%</u>
Total	<u>100%</u>

Instructor

Jerome Gessaroli, BA, MBA

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Text and Equipment

Required:

Canadian Financial Management, 4th Edition, by Alfred Davis and George Pinches.
ISBN 0-201-72160-0, Addison-Wesley Longman Publishers

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

Recommended:

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

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.

Internet access for research purposes.

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*: Acts of cheating, plagiarism and dishonesty will not be tolerated. The degree of punitive action in such cases may range from a written warning to a failing mark for the course. Penalties may also be applied to students who knowingly contribute to an act of dishonesty, cheating and/or plagiarism. (Refer to BCIT policy 5250 at www.bcit.ca/~presoff/5250.htm)
- *Makeup Exams or Quizzes*: There will be no makeup exams or quizzes. You are expected to write all exam and quizzes on the scheduled dates. If you miss a test or quiz, you will receive zero marks. Exceptions may be made for documented medical reasons or other extenuating circumstances.
- *Online Course Notes*: The instructor will post lecture notes on the network share out drive under the FMGT 4510 folder, "Lecture Notes" sub folder. These will be provided by chapter. Students are encouraged to download and print the applicable lecture notes prior to each lecture. Online notes should not be considered to be a substitute for lecture attendance. Note that additional lecture notes may be used during classes that will not be posted online.

Self Study Problems

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. Time permitting, we will take up some of these problems during the seminars. For your own sake, please resist the temptation to simply look at solutions without having worked through the problems yourself.

Quizzes

Six short quizzes will be given over the term during the “split-lab” periods. Quiz marks for the term will be calculated on your best 5 out of 6 quiz results.

Course Schedule - FMGT 4510 (Finance 2)

Week of	Lecture Topic *	Pre-read	Seminar problems	Quiz/Project
December 31	Chapter 7: Capital Budgeting Techniques	Chapters 7 & 8	None	
January 7	Chapter 8: Application of Capital Budgeting Techniques	Chapter 9	CR 7.7, CR 7.8, Problems 7.1, 7.4, 7.6, 7.9, 7.11, 7.16, 7.17	
January 14	Chapter 9: Risk and Capital Budgeting	Chapter 10	8.3, 8.6, 8.9, 8.11, 8.13, 8.17	
January 21	Chapter 10: Raising Long-term Funds	Chapter 11, 11A	9.2, 9.3, 9.5, 9.6, 9.8, 9.9, 9.10	Quiz: Chapters 7 & 8
January 28	Chapter 11: Liability Management	Chapter 12, 12A	10.1, 10.3, 10.4, 10.6, 10.8, 10.10, 10.12, 10.13 Mini Case 10-1	
February 4	Chapter 12: Taxes and Capital Structure	Chapter 13	11.1, 11.3, 11.4, 11.6, 11.10, 11.11, 11A1, 11A3	Quiz: Chapters 9 & 10
February 11	Chapter 13: The Dynamics of the Capital Structure Decision	Chapter 14	12.2, 12.4, 12.6, 12.7, 12.9, 12.10, 12.14, 12A.1, 12A.3	
February 18	Chapter 14: Dividend Policy	Chapter 15	CR 13.2, Problems 13.2, 13.4, 1.3.5	Quiz: Chapters 11 & 12
February 25	Clean-up and exam review	Exam review	CR14.4, Problems 14.2, 14.10, 14.11, 14.13, 14.14	
March 4	Mid-term Exam (45%) Chapters: 7, 8, 9, 10, 11, 12, 13, 14	None	None	
March 11	Spring Break	None	None	
March 18	Chapter 15: Leasing	Chapter 16	None	
March 25	Chapter 16: Mergers and Corporate Restructuring	Chapter 17	15.1, 15.3, 15.4, 15.6, 15.7, 15.8, 15.9	

* Lecture notes will be available online in the shareout directory under FMGT 4510 folder.

Week of	Lecture Topic	Pre-read	Seminar problems	Quiz/Project
April 1	Chapter 17: International Financial Management	Chapter 18	16.1, 16.2, 16.5, 16.6, 16.7, 16.11, 16.12	Quiz: Chapter 15
April 8	Chapter 18: Options	Chapter 20	17.6, 17.7, 17.8, 17.10, 17.11	
April 15	Chapter 20: Warrants and Convertibles	Chapter 25	CR18.1, Problems 18.1, 18.2, 18.3, 18.7, 18.9, 18.11,	Quiz: Chapter 16 & 17
April 22	Chapter 25: Financial Statement Analysis	Chapter 26	20.1, 20.3, 20.7, 20.9, 20.10	
April 29	Chapter 26: Financial Planning and Forecasting	Exam review	CR25.3, Problems 25.1, 25.7, 25.8, 25.9, 25.10	Quiz: Chapter 18 & 20
May 6	Clean-up and exam review	Exam review	26.3, 26.5, 26.8, 26.9, 26.10, 26.12	
May 13	Clean-up and exam review	Exam review	None	
May 20	Final Exam (45%) Chapter 15, 16, 17, 18, 20, 25, 26	None	None	

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