



BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY
School of Business
Program: Financial Management
Option: Finance

Course Outline for:
FMGT4520
Enterprise Finance
Date: March 2000

Hours/Week		Total Hours:	40	Term/Level:	4
Lecture:	2	Total Weeks:	10	Credits:	2.5
Lab:	2				

Instructor

Carol Edwards Office No: SE6-379 Phone: 451-6751

Office Hours

TBA

Prerequisites

FMGT 3510 – Finance I / FMGT 3610 – Security Analysis I

Course Description and Goals

The purpose of this course is to impart to the student the fundamentals of raising funds. Adequate financing from the most appropriate sources can often mean the difference between life and death to a small or even medium sized company. This course will cover the various sources, the manner in which they should be approached, the documentation they require and their own unique constraints. Included in the types of funds to be raised will be both long and short term financing. Included in the sources will be the chartered banks, the various levels of government and venture capitalists.

In addition, this course will provide the student with an opportunity to acquire their Conduct & Practices Handbook[®] Certificate through the Canadian Securities Institute.

Evaluation

Final Examination	45	%
Midterm	30	%
Project	25	%



Course Learning Outcomes

- **Understand those factors in a business plan which would appeal to various financing sources.**
- **Identify the types of financing available from creditors.**
 - ✓ **Identify and measure those features of a company emphasized as important in credit granting for short term loans.**
 - ✓ **Identify and understand the requirements a creditor will demand of its corporate credit customers.**
 - ✓ **Identify from the perspective of a borrower for the purpose of credit negotiations, which factors are important in credit granting.**
 - ✓ **Structure a line of credit to meet the needs of both borrower and lender.**
- **Identify the sources and types of financing in which provincial and federal government agencies are prepared to engage.**
 - ✓ **Understand the constraints and perspectives brought to the negotiations by government agencies.**
- **Identify the nature and purpose of venture capital.**
 - ✓ **Identify current trends in equity financing by venture capitalists and the business propositions which they find most appealing.**
 - ✓ **Critically analyze the structure of a venture capital proposal.**
- **Identify and understand the requirements an investment dealer will demand of its corporate clients and the rules under which they must operate.**
- **Identify the sequence of events in the process of taking a company public.**
 - ✓ **Describe the nature and purpose of a prospectus.**
 - ✓ **Describe the pricing mechanisms employed to value the shares of a company involved in an initial public offering.**
 - ✓ **Understand the conduct and practices of those involved in the area of public finance.**
 - ✓ **Takeover bids, insider bids and issuer bids**



Course Record

Developed by:	<u>R.J. Dolan</u>	Date:	<u>August 1995</u>
	Instructor		
Revised by:	<u>C. Edwards</u>	Date:	<u>February 2002</u>
	Instructor		
Approved by:	<u></u>	Date:	<u>February 2002</u>
	Associate Dean		

Text(s) and Equipment

Required: Conduct & Practices Handbook^o (from the Canadian Securities Institute)

Recommended: The Canadian Securities Course^o Text

Course Notes (Policies and Procedures)

- *Assignments:* Late assignments or projects will not be accepted for marking.
- *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 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.

Assignment Details

See attached description.



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

Week	Schedule for: FMGT 4520 – Enterprise Finance
March 19 th	Going Public - CPH
March 26 th	Going Public - CPH
April 2 nd	Going Public - CPH
April 9 th	Going Public - CPH
April 16 th	Mid-term exam (30%) – Date to be determined
April 23 rd	Business Financing – the business plan
April 30 th	Bank financing
May 7 th	Government Assistance / Assignment Due
May 14 th	Venture Capital
May 21 st	Final Exam – Date TBA (45%)

ASSIGNMENT

You will be required to find at least three years, and preferably five years, of financial data for a company which has gone bankrupt, or is in obvious financial trouble.

You will also be required to find comparison data for a successful company in the same sector, and preferably the same industry, as the company you are analyzing. (If you can get current industry standards as well, that would be nice, but not essential.) The required financial data may be obtained from a number of resources, including the company itself, the Library, the internet (try SEDAR, the Canadian database of public corporations, and EDGAR, the US database of public corporations; and various financial sites, plus the site for the company itself, if available), and various periodicals (both on-line and on paper).

This data must be entered into your FMGT 4710 computer model for the analysis of a company's financial situation. Run the successful comparison company's data through the same model.

Keep It Simple ... try to fit the data into the categories you currently have and try not to multiply categories for analysis purposes. If a company truly does have significant differences from your model, then you will have to modify your model to accommodate these differences. Or, you may wish to do a different company ... Do not forget, if you make changes to your model, to update the appropriate ratios to reflect the changes made to your financial data!

Run a check on the periodicals for articles about your companies and what analysts were saying about each company's financial position. Make sure you check the financial position of the economy, the sector and the industry over this time frame. Include data on the performance of the stock market as a whole, for that sector/industry, and for the company itself.

You should assume that you are a consultant hired by a major investor in the failing, or failed company. This investor wishes, in the future, to avoid the huge losses it incurred on this investment by understanding what went wrong in their process for selecting and holding investments in public corporations.

They have asked you to use the data you have assembled to prepare a report indicating:

- The sources of the chosen firm's failure and the sources of the comparison firm's success.
- Was this failure/success predictable from the numbers and ratios generated?
 - ✓ If it was predictable, what were the warning trends, patterns, or signs which you detected? When did these trends, patterns or signs first make their appearance?
 - ✓ If it was not predictable, why could you not see any warning in the trends, patterns or signs which you detected?
 - ✓ What differences did you detect between the performance of the chosen and the comparison firm that might have forecasted the difference in their success? What were these differences in performance? When did these differences first make their appearance?
- Based on this analysis, what future recommendations would you make to the investor to improve their chances of finding successful investments and for avoiding future failures?
- Document any other recommendations you consider would be of importance to the investor, based on the data you have collected and the analysis you have performed. (If appropriate for the sector you are analyzing, such as the high tech sector, you may wish to consider the question of earnings quality – how reliable were the company's reported numbers – in this post-Enron environment.)

Make your analysis professional and accurate. Spelling, grammar and coherence of thought and analysis will represent a large proportion of your marks.

It is recommended that you create a name for your consulting company, a logo, and your own letterhead/style on which the report will be prepared.

The report is to be submitted electronically, in Word, to the appropriate ShareIn folder. It must be no longer than 10 type-written pages (including appendices, charts, numbers and the kitchen sink), Arial 12 font, 1 inch margins. (You may have one extra page as a cover page for the document, for a total of 11 pages.) Please make the first page, an Executive Summary.