BCIT®

A POLYTECHNIC INSTITUTION

School of Business
Program: Financial management
Option: Finance

FMGT 4510
Finance 2

Start Date:	January 5, 2004				**End Date:**	May 28, 2003	
Total Hours:	80	**Total Weeks:**	20		**Term/Level:** 4	**Course Credits:** 5.5	
Hours/Week:	4	**Lecture:**	2	**Lab:** 2			

Prerequisites

1st year BCIT business courses,
FMGT 3510 (Finance 1)

☐ **Course Description**

The purpose of the course is to give the student an introduction to basic concepts of corporate finance. Corporate finance is concerned with helping financial managers answer two broad questions: (1) what investment should the firm make? and (2) how should the firm pay for these investments? These decisions are made in the context general economic conditions and under the scrutiny of the financial markets. The primary objective of financial management is to maximize the market value of the firm as determined by the financial markets.

☐ **Evaluation**

Mid-term	45%
Final examination	45%
Quizzes (best 5 of 6)	10%
Total	100%

☐ **Course Learning Outcomes/Competencies**

Upon successful completion, the student will be able to:

- 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.

☐ **Verification**

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

J. Terry Gordon   *Terry Gordon*   *Jan. 5. 2004*
                    Authoring Instructor   Date

I verify that this course outline has been reviewed.

J. Terry Gordon   *Terry Gordon*   *Jan. 5. 2004*
                    Program Head/Chief Instructor   Date

I verify that this course outline complies with BCIT policy.

Time Edwards   *Jan 7 /04*
                    Dean/Associate Dean   Date

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

☐ **Instructor**

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                                            door
                          Instructor web page: www.faculty.org/fp/tgordon/
                          Course web page: www. finman.org

☐ **Learning Resources**

Required:

Canadian Financial Management, 4^(th) 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 and to access the course web site.

☐ Information for Students

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 labs. For your own sake, please resist the temptation to simply look at solutions without having worked through the problems yourself.

Quizzes: A number of short quizzes will be given over the term during the lab periods. I will "throw out" your worst quiz in determining you quiz mark for the term.

Course web site: I maintain a course web site, which is used for the dissemination of course news, lecture outlines and other resource material. Students are encouraged to download and print the applicable lecture outlines prior to each lecture and to check the site regularly (at least weekly) for news and announcements.

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

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

Course Schedule

Week of	Lecture Topic	Pre-read	Seminar problems	Quiz
January 5	**Chapter 7**: Capital Budgeting Techniques	Chapters 7 & 8 (omit Appendix 8A)	None	
January 12	**Chapter 8**: Application of Capital Budgeting Techniques	Chapter 9	CR 7.7, CR 7.8, Problems 7.1, 7.4, 7.11, 7.16, Mini-case 7-2	
January 19	**Chapter 9**: Risk and Capital Budgeting	Chapter 10	8.3, 8.6, 8.9, 8.13, 8.17	
January 26	**Chapter 10**: Raising Long-term Funds	Chapter 11, Appendix 11A;	9.2, 9.3, 9.6, 9.8, 9.9 (part (a) and breakeven point for proposed project), 9.10	**Quiz 1:** Chapters 7 & 8
February 2	**Chapters 11**: Liability Management	Chapter 12, Appendix 12A (omit Appendix 12B)	10.4, 10.6, 10.10, 10.11, 10.12, Mini Case 10-1	
February 9	**Chapter 12**: Taxes and Capital Structure	Chapter 13	11.1, 11.10, 11.11, 11A1, 11A3	**Quiz 2:** Chapters 9 & 10
February 16	**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 23	**Chapter 14**: Dividend Policy	Exam review	CR 13.1, CR 13.2, Problems 13.2, 13.4	**Quiz 3:** Chapters 11 & 12
March 1	**Clean-up and exam review**	Exam review	CR14.4, Problems 14.2, 14.10, 14.11, 14.13, 14.14	
March 8	**Mid-term Exam (45%)** Chapters: 7, 8, 9, 10, 11, 12, 13 & 14			
March 15	**Spring Break**			
March 22	**Chapter 15**: Leasing	Chapters 15 & 16	None	
March 29	**Chapter 16**: Mergers and Corporate Restructuring	Chapter 17	15.1, 15.4, 15.6, 15.8	

Week of	Lecture Topic	Pre-read	Seminar problems	Quiz
April 5	**Chapter 17:** International Financial Management	Chapter 18	16.1, 16.2, 16.5, 16.6, 16.7, 16.12	**Quiz 4:** Chapters 14 & 15
April 12	**Chapter 18:** Options	Chapter 20	17.6, 17.7, 17.8, 17.10, 17.11	
April 19	**Chapter 20:** Warrants and Convertibles	Chapter 25	18.1, 18.2 (a) & (c), 18.3, 18.7, 18.9, 18.11,	**Quiz 5:** Chapters 16 & 17
April 26	**Chapter 25:** Financial Statement Analysis	Chapter 26	20.3, 20.7, 20.9, 20.10	
May 3	**Chapter 26:** Financial Planning and Forecasting	Exam review	Chapter 25 Mini-case	**Quiz 6:** Chapter 18 & 20
May 10	**Clean-up and exam review**	Exam review	26.3, 26.5, 26.9, 26.10	
May 17 & 24	**Final Exam (45%)** Chapter 15, 16, 17, 18, 20, 25 & 26	None	None	