

## COURSE OUTLINE

COURSE NAME Corporate Finance and Management AccountingCOURSE NUMBER FMGT 4550 | DATE January, 1997Prepared by David K. Chan | Taught to 2nd Year  
B.Comm., MBA, C.A.School Business | School BusinessProgram Financial Management | Program Operations ManagementDate Prepared January, 1997 | Option Traffic and DistributionTerm 4 Hrs/Wk 3 Credits 3No. of Weeks 18 Total Hours 54Instructor(s) David K. Chan Office SE6-381 Local 6753Office Hours Posted at office or by appointment**PREREQUISITES** First Year Business – BCIT or equivalent**COURSE OBJECTIVES**

(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 debt.

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**COURSE OBJECTIVES, Cont'd.**

- 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 issuing company.
- Appreciate the role corporate finance plays in enabling a firm to survive in an environment of accelerating change and competition.
- Analyze the effect on the financing needs of a firm operating in the international marketplace.

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**EVALUATION**

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|-------------------|------------|----------------------|
| Final Examination | <u>40</u>  | %                    |
| Mid Term (2)      | <u>60</u>  | % (30% per Mid Term) |
| TOTAL             | <u>100</u> | %                    |

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**REQUIRED TEXT(S) AND EQUIPMENT**

Foundations of Financial Management by Block, Hirt and Conway.  
Third Canadian Edition, Irwin.

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**COURSE SUMMARY**

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.

## COURSE OUTLINE

| <b>Week<br/>Lecture<br/>or Lab<br/>Number</b> | <b>Topic Coverage and Specific Unit Objectives</b>  | <b>References</b> |
|---|---|-------------------|
| 1 & 2   | <b>CURRENT ASSET MANAGEMENT</b> <ul style="list-style-type: none"> <li>• Cash Management</li> <li>• Inventory Control</li> <li>• Management of Accounts Receivable</li> </ul> | Chapter 7         |
| 3   | <b>SOURCES OF SHORT-TERM FINANCING</b> <ul style="list-style-type: none"> <li>• Use of Bank Financing, Commercial Paper, EuroDollars and Hedging</li> </ul>                   | Chapter 8         |
| 4 & 5   | <b>VALUATION AND RATES OF RETURN</b> <ul style="list-style-type: none"> <li>• Valuation of Bonds, Preferred Stock and Common Stock</li> </ul>                                 | Chapter 10        |
| 6   | <b>MID-TERM QUIZ</b>  | Chapters 7, 8, 10 |
| 7   | <b>COST OF CAPITAL</b> <ul style="list-style-type: none"> <li>• Cost of Debt</li> <li>• Cost of Preferred Stock</li> <li>• Cost of Common Equity</li> </ul>                   | Chapter 11        |
| 8   | <b>CAPITAL BUDGETING</b> <ul style="list-style-type: none"> <li>• Internal Rate of Return</li> <li>• Net Present Value</li> <li>• Capital Cost Allowance</li> </ul>           | Chapter 12        |
| 9   | <b>RISK AND CAPITAL BUDGETING</b> <ul style="list-style-type: none"> <li>• Risk Adjusted Discount Rate</li> <li>• Portfolio Effect</li> </ul>                                 | Chapter 13        |
| 10  | <b>MID-TERM BREAK</b>   |                   |
| 11  | <b>CAPITAL MARKETS</b> <ul style="list-style-type: none"> <li>• Markets</li> <li>• Equity Financing</li> <li>• Security Markets</li> </ul>                                    | Chapter 14        |

**COURSE OUTLINE**  
(continued)

| <b>Week<br/>Lecture<br/>or Lab<br/>Number</b> | <b>Topic Coverage and Specific Unit Objectives</b>   | <b>References</b>   |
|---|--|---------------------|
| 12  | <b>INVESTMENT UNDERWRITING</b> <ul style="list-style-type: none"> <li>• Role of Underwriting</li> <li>• Pricing the Strategy</li> <li>• Public Offerings</li> </ul>  | Chapter 15          |
| 13  | <b>LONG-TERM DEBT AND LEASING</b> <ul style="list-style-type: none"> <li>• Debt Contract</li> <li>• Refunding Decision</li> <li>• Leasing Decision</li> </ul>        | Chapter 16          |
| 14  | <b>MID-TERM QUIZ</b>   | Chapters<br>11 – 16 |
| 15  | <b>COMMON AND PREFERRED STOCK</b> <ul style="list-style-type: none"> <li>• Voting Right</li> <li>• Right to Buy New Stock</li> </ul>                                 | Chapter 17          |
| 16  | <b>DIVIDEND POLICY</b> <ul style="list-style-type: none"> <li>• Earnings</li> <li>• Dividend Stability</li> <li>• Stock Dividends</li> <li>• Stock Splits</li> </ul> | Chapter 18          |
| 17 & 18                                       | <b>CONVERTIBLES AND WARRANTS</b> <ul style="list-style-type: none"> <li>• Convertible Securities</li> <li>• Use of Warrants</li> </ul>                               | Chapter 19          |