

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

COURSE OUTLINE

COURSE NAME Corporate Finance and Management AccountingCOURSE NUMBER FMGT 4550 | DATE January, 1998Prepared by David K. Chan. | Taught to 2nd Year
B.Comm., MBA, C.A.School Business | School BusinessProgram Financial Management | Program Operations ManagementDate Prepared January, 1998 | 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.

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.

EVALUATION

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

REQUIRED TEXT(S) AND EQUIPMENT

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

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

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

COURSE OUTLINE
(continued)

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