

Finance 303- Section 003 Spring 2012

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Course Outcomes

Upon completion of the student

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Students in this class will learn or practice the following COBE Core Curriculum concepts, methods, and skills:	
1. Understand and apply analytical and disciplinary concepts and methods related to business and economics:	
<input checked="" type="checkbox"/>	1.1. Accounting
<input checked="" type="checkbox"/>	1.2. Business Policy and Strategy
<input checked="" type="checkbox"/>	1.3. Economics
<input checked="" type="checkbox"/>	1.4. Finance
<input checked="" type="checkbox"/>	1.5. Information Technology Management
<input checked="" type="checkbox"/>	1.6. International environment of business
<input checked="" type="checkbox"/>	1.7. Legal environment of business
<input checked="" type="checkbox"/>	1.9. Marketing
<input checked="" type="checkbox"/>	1.10. Mathematics & Statistics
<input checked="" type="checkbox"/>	1.11. Supply Chain Management
2.1. Communicate effectively: Write messages and documents that are clear, concise, and compelling	
<input type="checkbox"/>	2.2. Communicate effectively: Give oral presentations that use effective content, organization, and delivery
<input checked="" type="checkbox"/>	3. Solve problems, including unstructured problems, related to business and economics
<input checked="" type="checkbox"/>	4. Use effective teamwork and collaboration skills
<input checked="" type="checkbox"/>	5. Resolve ethical issues related to business and economics

Learning

successful this course should: an understanding goals of the and how the finance function supports goals able to read analyze the financial statements of corporate organization able to use historical

analysis of financial statements and a sales forecast to forecast the cash flow and financing needs of the organization

- Understand how the time value of money impacts financial decisions
- Understand and be able to apply the models for valuing financial assets
- Understand the concept and measurement of risk as it applies to financial modeling
- Be able to estimate cash flows accruing to long-term assets
- Understand and be able to apply the models used to evaluate the long-term asset acquisition proposals for the firm
- Understand the instruments and markets for raising capital for the firm
- All of the objectives are considered for corporations operating in a global environment within the framework of ethical decision-making

Assessment Methods

There will be several methods used to assess the extent to which the learning outcomes are being achieved.

Problem Sets and Cases

The sets are posted on the blackboard site and you should work them as we cover topics. They are designed to give the opportunity to apply the models and skills developed in class to simulations of the types of analysis and decisions required in business operations. They will not be collected and graded but we will be discussing them in class and you will not be able to participate and follow the discussion if you have not completed the assignment. These problems are also designed to give you practice for the types of problems you will encounter on the quizzes and exams. It will be difficult to do well on the quizzes and exams if you are not working and understanding the homework. I am available to answer questions both inside and outside of class about the homework problems.

Quizzes

These will be unannounced short problems given at the beginning of class and are designed to assess whether you are working and understanding the problem sets. They will be worth ten points each and there will be ten to thirteen of them given during the semester. I will count your eight to ten highest scores toward the calculation of your final grade in the course. **No make-up quizzes will be given** as the two to three lowest scores will be eliminated. The quizzes are to be done by each individual alone. No help is to be given or received while completing the quiz. They are designed to see how each person is keeping up with the material. (Total point value = 80 - 100)

Examinations

There will be two examinations worth 100 points each and a final worth 100 points. The format will be a combination of multiple choice questions to assess understanding of concepts and problems to assess ability to apply models and skills to do analysis and make decisions. The examinations are to be done by each individual alone. No help is to be given or received while completing the exams. They are designed to see how each person understands the material. (Total point value = 300)

Course Design and Format

This course is designed to use class time to develop knowledge, skills and abilities relevant to executing the finance function in a business organization. We will also examine how the finance function relates to the other functional areas in a successful organization. The subject matter will be introduced through lecture and discussion of the problem sets. The quizzes and examinations will assess how well each student is attaining the knowledge, skills and abilities and will guide the amount of time we spend on each area of the course.

There is no textbook required for this course. I have placed two textbooks *Fundamentals of Financial Management* by Brigham and Houston and *Essentials of Corporate Finance* by Ross, Westerfield and Jordan on reserve in the library for reference. The relevant chapters from each text are listed with the subject outline below. Class attendance is important as the relevant concepts and applications will be covered during this time. You will be expected to work and understand the problem sets as the material is covered in class. If you are having trouble with a particular problem set please bring your questions to class as the rest of the students may benefit from the question and answer. It will be difficult to do well on the quizzes and tests if you are not keeping up with the problem sets.

Academic Honesty and Professional Behavior: Academic honesty and professional behavior is expected at all times. You are juniors and seniors about to enter the working world as business

professionals. Act like it. Any evidence of cheating of any kind will result in a grade of zero for that assignment (quiz or exam).

Outline of Subject Areas

I. Firm goals, the finance function and the supply chain

(Chapters 1&4 BH and Chapter 1 RWJ)

- A. The goal of the firm
- B. The role of the finance function in achieving the firm goal
- C. How the goal affects firm stakeholders
- D. The supply chain and the functional areas of firm management
- E. The finance function role in relation to the supply chain

II. Financial Statement Analysis and Firm Performance

(Chapters 2&3 BH and Chapters 2&3 RWJ)

- A. The balance sheet and income statement
- B. The statement of cash flows
- C. Ratio analysis
- D. Monitoring and control

III. Forecasting and Budgeting

(Chapter 14 BH and Chapters 4&16 RWJ)

- A. The sales forecast
- B. Using historical analysis to construct pro-forma statements
- C. Forecasting financial needs
- D. Short-term cash budgeting

EXAM #1

IV. The time value of money and financial models

(Chapter 6 BH and Chapters 5&6 RWJ)

- A. The concept of asset value
- B. The value of cash flows through time
- C. Annuities and perpetuities

V. Financial Asset Valuation

(Chapters 7&8 BH and Chapter 7 RWJ)

- A. Bond valuation
- B. Preferred stock valuation
- C. Common stock valuation

VI. Long term project evaluation models

(Chapter 10 BH and Chapter 8 RWJ)

- A. net present value
- B. internal rate of return
- C. profitability index
- D. payback period
- E. mutually exclusive projects

VII. Cash flow estimation

(Chapter 11 BH and Chapter 9 RWJ)

- A. initial investment
- B. period by period cash flows

C. terminal value

EXAM #2

VIII. Risk in project evaluation

(Chapter 5 BH and Chapters 10&11 RWJ)

- A. project risk
- B. firm risk
- C. capital provider risk

IX. Cost of capital estimation

(Chapter 9 BH and Chapter 12 RWJ)

- A. component cost estimation
- B. marginal cost of capital
- C. risk and the required rate of return

X. Optimal capital structure

(Chapter 12 BH and Chapter 14 RWJ)

- A. cost minimization
- B. functional form estimation
- C. other models

XI. Special topics

FINAL

Evaluation and Grading

Your grade will be determined by your point total relative to the 380 to 400 total possible points. If your total is greater than or equal to 90% of the total possible, you will earn an A. If your total is greater than or equal to 80% of the total possible, you will earn at least a B. If your total is greater than or equal to 70% of the total possible, you will earn at least a C. If your total is greater than or equal to 60% of the total possible, you will earn at least a D. If your total is less than 60% of the total possible you may earn an F. If your total is less than 50% of the total possible, you will earn an F.