

Course Description

FIN3403 | Financial Management | 3.00 credits

Students will learn the sources and uses of funds as they relate to financial decision making in the corporate form of enterprise. Emphasis is placed on working capital management, capital budgeting techniques, short and long term financing, and capital structure and the value of the firm. This course emphasizes the use of formulas and spreadsheets through Excel. Prerequisites: ACG2071, 2071L, CGS1060, QMB2100 and 2100L

Course Competencies:

Competency 1: The student will demonstrate an understanding of financial planning by:

1. Assessing tax depreciation procedures and the effects of depreciation on a firm's cash flow
2. Analyzing the financial planning process including strategic plans and operating plans
3. Evaluating the cash planning process, including the preparation, evaluation, and use of the cash budget

Competency 2: The student will demonstrate an understanding of and ability to use time value of money concepts by:

1. Illustrating the concepts of future and present value and demonstrating the calculation of the present and future values of a single sum using the time value of money functions in Excel
2. Measuring the effect that compounding interest has on the future value and the effective interest rate using Excel
3. Applying Excel procedures to determine an accumulated future sum, periodic loan payments, interest or growth rates, and unknown number of periods in a situation

Competency 3: The student will demonstrate an understanding of interest rates and bonds by:

1. Evaluating interest rate fundamentals, the term structure of interest, and risk premiums in interest rates
2. Applying the basic valuation model to bonds using the appropriate Excel functions and describing the impact of changes in required return and maturity on bond values
3. Calculating and discussing yield to maturity using Excel and value bonds that pay interest semi-annually

Competency 4: The student will demonstrate an understanding of the valuation of stock by:

1. Illustrating the process of issuing stock, including an initial public offering and investment banking
2. Examining the concept of market efficiency and its three forms
3. Evaluating the models used to value stock, including the Zero Growth Model, the Constant Growth Model and the Variable Growth Model, and demonstrating the appropriate Excel techniques to calculate these values

Competency 5: The student will demonstrate an understanding of the meaning and use of the concepts of risk, return, and risk preferences by:

1. Calculating the returns and standard deviation of returns for an Excel portfolio
2. Assessing the risk and return characteristics of a portfolio in terms of correlation and diversification and the impact of international assets on a portfolio
3. Evaluating the two types of risk and the role of beta in measuring the relevant risk of both a security and a portfolio
4. Examining the Capital Asset Pricing Model, its relationship to the Security Market Line, and the major forces causing shifts in the Security Market Line

Competency 6: The student will demonstrate an understanding of Cost of Capital by:

1. Interpreting what is meant by the weighted average cost of capital
2. Determining the after-tax cost of debt, preferred stock, and common equity using Excel
3. Calculating the weighted average cost of capital and discussing the impact of alternative capital structures

Competency 7: The student will demonstrate an understanding of capital budgeting techniques by:

1. Calculating, interpreting, and evaluating the payback period using Excel
2. Calculating, interpreting, and evaluating the Net Present Value using Excel
3. Calculating, interpreting, and evaluating the Internal Rate of Return using Excel

Competency 8: The student will demonstrate an understanding of the preparation and use of cash flow projections for capital budget projects by:

1. Comparing and contrasting the relevant cash flows for expansion projects and replacement projects
2. Examining the concepts of sunk costs, opportunity costs, and international capital budgeting
3. Illustrating the tax implications of the sale of an old asset
4. Determining the relevant cash flows for a proposed capital budget project
5. Evaluating the importance of recognizing risk in capital budget projects and demonstrating the tools to deal with it

Competency 9: The student will demonstrate an understanding of working capital management by:

1. Examining common techniques for managing inventory
2. Illustrating the quantitative procedures for considering cash discount changes and the effects of changes in credit terms and credit monitoring using Excel
3. Evaluating the management of cash receipts and disbursements, including float, speeding up collections, cash concentration, and investing in marketable securities
4. Calculating the effective interest rate of different types of personal and commercial loans using Excel
5. Illustrating the ways in which collateral may be used in short term loans

Learning Outcomes:

- Use quantitative analytical skills to evaluate and process numerical data
- Solve problems using critical and creative thinking and scientific reasoning
- Create strategies that can be used to fulfill personal, civic, and social responsibilities
- Demonstrate knowledge of ethical thinking and its application to issues in society