BUSI 2503 Section A
BASIC FINANCIAL MANAGEMENT
Summer, 2013 (May & June)

Instructor: MICHAEL REYNOLDS
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Email: xyz-mike@hotmail.com
Office hours: to be determined
Office: TBD

Course Schedule: Monday & Wednesday 6:05 pm
Tutorials: Wednesday 4:30 pm to 5:30 pm, Location 342 Tory*
➢ Subject to change

Course Objectives

This course is designed provide students an introduction to the various elements of corporate finance that are impacted by the decisions made by management and the operational performance of the firm in a competitive market place.

The focus of this course is to provide the students a basic overview of the monitoring & analytical techniques that corporate finance staff in a firm uses to:
➢ making financial decisions such as financing, investing and operational management (working capital, cash budgeting) decisions, as well as
➢ Monitoring the financial performance of the firm.

This course is not a replacement for Busi 2504. This course is focused on exposure & developing awareness and will not provide the analytical and financial depth that is covered in Busi 2504. Consequently it does not provide students the financial foundation required to get a credit in the Bachelor of Commerce program.

Required Text:
Purpose of the Course

The primary goal of this course is to provide:

Provide the student exposure to the many facets of corporate finance. Develop awareness of financial issues and obtain a basis acknowledge of some financial analytical techniques.

The benefits to the students are:
- Be able to understand the basic elements of corporate finance on a very basic level,
- Be able to identify situations where a financial professional should be involved,
- Have (limited) appreciation to how the financial analysis may be performed.

Learning Objectives for the Course

Upon completing this course, students will be expected to meet the following learning objectives:

1. Apply time value of money concepts to financial decisions.
2. Be able to read financial statements (income statements & balance sheets).
3. Learn how to read the financial pages.
4. Understand the working capital cycle
5. Appreciate the importance of cash flow budgeting.
6. Apply basic financial ratios to analyze the financial performance of a firm.
7. Understand how stocks & bonds are issued in the capital markets.
8. Introduce the basic valuation techniques to value stocks & bonds.
9. Introduce the concept of risk and how corporations establish their required rate of return (“Cost of Capital”).
10. Exposure to financial techniques used to evaluate capital purchases of assets ranging from equipment to entire companies (“Capital Budgeting”).
11. Illustrate how many of these financial concepts can be utilized in one’s personal life, specifically with respect to: budgeting, buying cars & houses. (if time permits)

TA Hours

To be determined.
Marking Schemes
Marking schemes with part marks allocated to partial answers are used to mark all the tests and the final examination. This provides the best possible consistency and fairness to all students. Students are strongly advised to provide and show complete answers.

Course Evaluation Grading Scheme:

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Quiz</td>
<td>10%</td>
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<tr>
<td>Mid-terms</td>
<td>30</td>
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<tr>
<td>Final Examination</td>
<td>60</td>
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<td><strong>Total</strong></td>
<td><strong>100</strong></td>
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There will be **no make-up test for a missed quiz or mid-term test**. For qualifying students who miss a test the test weighting will be added to the final exam weighting.

The exact date and location of the final exam will be announced through the University’s normal procedures.

*Both the term tests and final examination are closed-book and closed-notes.* Students are allowed to bring in a non-programmable calculator only. (There is no need for a financial calculator.) The tests and examination will consist of multiple choice questions and standard numerical problem solving questions. Numerical problems can be easily solved without using a computer. The tests and examination will test your understanding of the material covered in this course.

Deferred Examinations

Students unable to write a final examination because of illness or other circumstances beyond their control may apply within five business days of the original examination to the Committee on Admissions and Studies through their Office of Registration Services for permission to write a deferred examination. Permission can be granted by this committee.

Course Schedule

*THE FOLLOWING IS A GUIDE ONLY. ACTUAL MATERIAL COVERED IN CLASS MAY NOT FOLLOW THE COURSE SCHEDULE.*

*IF A CLASS IS MISSED PLEASE HAVE A MEMBER OF YOUR GROUP TO IDENTIFIED SUBJECTS COVERED & PICK-UP*
<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Topic</th>
<th>Chapter</th>
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| 1     | MAY 6   | Course Introduction  
Introduction to Corporate Finance.  
Introduction to time value of money (Part 1)  
Introduction to concept of Stocks & Bond | Chapter 1 (all)  
Chapter 9 (255–262) |
| 2     | MAY 8   | Introduction to time value of money (Part 2)  
Stocks and Bonds:  
Identify cash flows  
Introduce how stocks and bonds are issued (no investment dealer involvement)  
Primary and Secondary markets  
How to read Financial Statements  
Income Statements & Balance Sheets  
The Cash Flow Cycle Introduction  
Focus on days inventory, receivables and payables  
Market Valuation Ratios (EPS, PE Ratios, dividend per share & dividend yield | Chapter 9 (265 - 276)  
Chapter 2 (21 – 33)  
Chapter 6 (165 – 166) |
| 3     | MAY 13  | Time value of money  
Calculating annuities  
PE Ratio interpretation:  
Address the relationship between earnings (EPS), PE ratios and market price of a stock.  
The Cash Flow Cycle:  
Calculate day’s inventory, receivables and payables.  
Introduce Bond Valuation | Chapter 3 (all)  
Chapter 10 (291-301) |
| 4     | MAY 15  | QUIZ (Covers Lectures 1, 2 & 3)  
Time value of money:  
Complex problem  
START FOCUSING STUDENTS ON CONCEPT THAT IN FINANCE ASSETS ARE VALUED BY CALCULATING PRESENT VALUE OF FUTURE CASH FLOWS  
Bond Valuations | Chapter 10 (291-301) |
<p>|       | MAY 20  | Victoria Day – no class | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th><strong>Time value of money</strong></th>
<th><strong>Loan amortization schedule</strong></th>
<th><strong>Basic Financial Ratios</strong></th>
<th><strong>Gross Profit (Margin calculation)</strong></th>
<th><strong>Cash flow from operations concept</strong></th>
<th><strong>Introduce depreciation/amortization, accounting matching concept</strong></th>
<th><strong>Yield Curve &amp; Risk/Return considerations</strong></th>
<th><strong>Chapter 3 (all)</strong></th>
<th><strong>Chapter 10 (291-301)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>May 22</td>
<td>➢ <strong>Time value of money</strong></td>
<td>➢ <strong>Loan amortization schedule</strong></td>
<td>➢ Basic Financial Ratios</td>
<td>➢ Gross Profit (Margin calculation)</td>
<td>➢ Cash flow from operations concept</td>
<td>➢ Introduce depreciation/amortization, accounting matching concept</td>
<td>➢ Yield Curve &amp; Risk/Return considerations</td>
<td>Chapter 3 (all)</td>
<td>Chapter 10 (291-301)</td>
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<tr>
<td>7</td>
<td>MAY 29</td>
<td>➢ Strip coupon bonds vs Regular bonds</td>
<td>➢ Introduction to Stock valuation</td>
<td>➢ Dividend valuation model</td>
<td>➢ CATCH-UP AND REVIEW CLASS</td>
<td>➢ CATCH-UP AND REVIEW CLASS</td>
<td>➢ Dividend valuation model</td>
<td>➢ CATCH-UP AND REVIEW CLASS</td>
<td>Chapter 15 (all)</td>
<td>Chapter 4 (89 – 101)</td>
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<tr>
<td>8</td>
<td>JUNE 8</td>
<td>MID-TERM (Covers Lectures 1 to 8)</td>
<td>➢ Dividend Valuation Model:</td>
<td>➢ Development of model</td>
<td>➢ Using model to value stocks</td>
<td>➢ Capital Budgeting: application to problems</td>
<td>➢ Development of model</td>
<td>➢ Using model to value stocks</td>
<td>Chapter 10 (301-311)</td>
<td>Chapter 15 (all)</td>
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<td>➢ Cost of Capital:</td>
<td>➢ The concept: “return on a capital expenditure must satisfy all providers of capital”</td>
<td>➢ Capital structure weighting alternatives</td>
<td>➢ Relate specific project risk to overall company risk</td>
<td>➢ Introduce Capital Asset Pricing Model Formula</td>
<td>➢ Risk free concept (Government securities)</td>
<td>➢ Beta.</td>
<td>➢ Leverage Buyout Concept Introduction</td>
<td>Chapter 11 (all)</td>
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<tr>
<td>10</td>
<td>JUNE 10</td>
<td>➢ Cost of Capital:</td>
<td>➢ The concept: “return on a capital expenditure must satisfy all providers of capital”</td>
<td>➢ Capital structure weighting alternatives</td>
<td>➢ Relate specific project risk to overall company risk</td>
<td>➢ Introduce Capital Asset Pricing Model Formula</td>
<td>➢ Risk free concept (Government securities)</td>
<td>➢ Beta.</td>
<td>➢ Leverage Buyout Concept Introduction</td>
<td>Chapter 11 (all)</td>
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<tr>
<td>11</td>
<td>JUNE 12</td>
<td>➢ Capitalization Rates &amp; Dividend Valuation Model</td>
<td>➢ Relate how these valuation techniques can be used to value companies.</td>
<td>➢ Leveraged Buyouts:</td>
<td>➢ Develop model to apply all the material learned in the course to a mini-case situation</td>
<td>➢ Capitalization Rates &amp; Dividend Valuation Model</td>
<td>➢ Relate how these valuation techniques can be used to value companies.</td>
<td>➢ Leveraged Buyouts:</td>
<td>Chapter 11 (all)</td>
<td>Chapter 2 (33 – 41)</td>
</tr>
<tr>
<td>14</td>
<td>JUNE 17</td>
<td>REVIEW</td>
<td>➢ Capitalization Rates &amp; Dividend Valuation Model</td>
<td>➢ Relate how these valuation techniques can be used to value companies.</td>
<td>➢ Leveraged Buyouts:</td>
<td>➢ Develop model to apply all the material learned in the course to a mini-case situation</td>
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<td>➢ Leveraged Buyouts:</td>
<td>Chapter 11 (all)</td>
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Academic Accommodations for Students with Disabilities

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam (if applicable).