



BUSI 2503 Section B
BASIC FINANCIAL MANAGEMENT
Winter, 2014

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Office hours: to be determined
Office: TBD

Course Schedule: Thursdays 6:05 – 8:55pm

Tutorials: Thursday 1635 – 1725 in 360TB*
* 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 Busi2504. Consequently it does not provide students the financial foundation required to get a credit in the Bachelor of Commerce program.

Required Text:

Block, Hirt, Danielsen, Short, Foundations of Financial Management, 9th Canadian Edition, McGraw-Hill Ryerson.

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:

- Mid-terms (2 @ 20%) 40%
- Final Examination 60
- **Total** **100**

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

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Class	Date	Topic	Chapter
1	Jan 6	<ul style="list-style-type: none"> ➤ Course Introduction ➤ Introduction to Corporate Finance. ➤ <i>Introduction to time value of money (Part 1)</i> ➤ <i>Introduction to concept of Stocks & Bond</i> 	Chapter 1 (all) Chapter 9 (255– 262)
2	Jan 13	<ul style="list-style-type: none"> ➤ <i>Introduction to time value of money (Part 2)</i> ➤ <i>Stocks and Bonds:</i> <ul style="list-style-type: none"> ▪ <i>Identify cash flows</i> ▪ Introduce how stocks and bonds are issued (no investment dealer involvement) ▪ Primary and Secondary markets ➤ How to read Financial Statements <ul style="list-style-type: none"> ▪ <i>Income Statements & Balance Sheets</i> ➤ The Cash Flow Cycle Introduction <ul style="list-style-type: none"> ▪ 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	Jan 20	<ul style="list-style-type: none"> ➤ <i>Time value of money</i> <ul style="list-style-type: none"> ▪ <i>Calculating annuities</i> ➤ PE Ratio interpretation: <ul style="list-style-type: none"> ▪ Address the relationship between earnings (EPS), PE ratios and market price of a stock. ➤ The Cash Flow Cycle: <ul style="list-style-type: none"> ▪ Calculate day's inventory, receivables and payables. ➤ Introduce Bond Valuation 	Chapter 3 (all) Chapter 10 (291-301)
4	Jan 27	MID-TERM #1	
5	Feb 3	<ul style="list-style-type: none"> ➤ <i>Time value of money:</i> <ul style="list-style-type: none"> ▪ <i>complex problem</i> ➤ 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)
6	FEB 10	<ul style="list-style-type: none"> ➤ <i>Time value of money</i> <ul style="list-style-type: none"> ▪ <i>Loan amortization schedule</i> ➤ Basic Financial Ratios Gross Profit (Margin calculation) ➤ Cash flow from operations concept 	Chapter 3 (all) Chapter 10 (291-301)

		<ul style="list-style-type: none"> ▪ Introduce depreciation/amortization, accounting matching concept ➤ Yield Curve & Risk/Return considerations 	
	FEB 17	WINTER BREAK – no class	
7	FEB 24	<ul style="list-style-type: none"> ➤ Issuing Stocks & Bonds in the Capital Markets <ul style="list-style-type: none"> ▪ Introduce role of investment dealer ▪ Valuing Bonds ➤ Cash Flow Budgeting 	Chapter 15 (all) Chapter 4 (89 – 101)
8	MAR 3	<ul style="list-style-type: none"> ➤ Strip coupon bonds vs Regular bonds ➤ Introduction to Stock valuation <ul style="list-style-type: none"> ▪ Dividend valuation model ➤ CATCH-UP AND REVIEW 	Chapter 10 (301-311)
9	MAR 10	MID-TERM #2 (Lectures 1 to 8)	
10	MAR 17	<ul style="list-style-type: none"> ➤ Dividend Valuation Model: <ul style="list-style-type: none"> ▪ Development of model ▪ Using model to value stocks ➤ Capital Budgeting: application to problems 	Chapter 10 (301-311) Chapter 12 (376-385) Chapter 11 (338-344)
11	MAR 24	<ul style="list-style-type: none"> ➤ Cost of Capital: <ul style="list-style-type: none"> ▪ The concept: “return on a capital expenditure must satisfy all providers of capital” ▪ Capital structure weighting alternatives ▪ Relate specific project risk to overall company risk ➤ Introduce Capital Asset Pricing Model Formula <ul style="list-style-type: none"> ▪ Risk free concept (Government securities) ▪ Beta. ➤ Leverage Buyout Concept Introduction ➤ How to read Financial Statements <ul style="list-style-type: none"> ▪ <i>Statement of Cash Flow</i> 	Chapter 11 (all) Chapter 2 (33 – 41)
12	MAR 31	<ul style="list-style-type: none"> ➤ Capitalization Rates & Dividend Valuation Model <ul style="list-style-type: none"> ▪ Relate how these valuation techniques can be used to value companies. ➤ Leveraged Buyouts: <ul style="list-style-type: none"> ▪ Develop model to apply all the material learned in the course to a mini-case situation 	
23	APR 7	➤ Review class	

Required calculator in BUSI course examinations

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group work

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks/assignments/projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Medical certificate

Please note that in all occasions that call for a medical certificate you must use or furnish the information demanded in the standard university form.

<http://www1.carleton.ca/registrar/forms/>

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59
A = 85-89	B = 73-76	C = 63-66	D = 53-56
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52
F = Below 50	WDN = Withdrawn from the course		

ABS = Student absent from final exam

DEF = Deferred (See above)

FND = (Failed, no Deferred) = Student could not pass the course even with 100% on final exam

Academic Regulations, Accommodations, Etc.

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

Requests for Academic Accommodations

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*).

- The deadlines for contacting the Paul Menton Centre regarding accommodation for final exams for the December 2013 exam period is November 8, 2013 and for the April 2014 exam period is March 7, 2014.

For Religious Obligations:

Students requesting academic accommodation on the basis of religious obligation should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory event.

Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton's Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

For Pregnancy:

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at <http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/>.

Assistance for Students:

Student Academic Success Centre (SASC): www.carleton.ca/sasc

Writing Tutorial Services: <http://www1.carleton.ca/sasc/writing-tutorial-service/>

Peer Assisted Study Sessions (PASS): www.carleton.ca/sasc/peer-assisted-study-sessions

Important Information:

- Students must always retain a hard copy of all work that is submitted.

- All final grades are subject to the Dean's approval.
 - Please note that you will be able to link your CONNECT (MyCarleton) account to other non-CONNECT accounts and receive emails from us. However, for us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CONNECT address. Therefore, it would be easier to respond to your inquiries if you would send all email from your connect account. If you do not have or have yet to activate this account, you may wish to do so by visiting <https://portal.carleton.ca/>
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