



BUSI 2504 E & F

Essentials of Business Finance WINTER 2015

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Section E: Tuesday 08:35 – 11:25 Classroom: SA 304

Section F: Thursday 14:35 – 17:25 Classroom: UC 180

Office Hours: Monday 11:30 – 13:30 or by appointment

Prerequisites

ECON 1000 or ECOR 3800, BUSI 1002 or BUSI 1005 and registration in BCom, BIB or BA Honours in Economics or Applied Economics with Concentration in Financial Economics, Engineering, B.C.S. Precludes credit for BUSI 2503.

The School of Business enforces all prerequisites.

This course is a prerequisite to

BUSI 2002 & BUSI 2505 (with a grade of C or higher)

BUSI 4000 (with a grade of C– or higher)

BUSI 4609 (with a grade of D– or higher)

Course Objectives

This introductory finance course focuses on aspects of financial management that all managers ought to understand. In particular, the course stresses:

- The decision process behind capital budgeting (corporate investment);
- Features of financing (sources of funding for the firm); and
- Basic measures of risk and return.

The goal of this course is to provide a sense of the underlying principles of finance and their use by the corporate manager. The student will be introduced to standard techniques of business finance – techniques that are used in real

management situations, and that also will serve as tools for study in other courses. Students successfully completing this course will understand what drives basic financial decisions in companies.

Important learning objectives for the course are to teach students:

- The techniques of time value of money and how to apply them correctly when and where needed;
- How to evaluate investment and borrowing alternatives for firms;
- Pricing models for securities;
- Analytical skills in structuring and analyzing corporate financial problems; and
- A rational approach to financial decision making that can be applied in future classes and important financial decisions throughout life.

Students should have successfully completed the prerequisites for this course. You are assumed to have been exposed to the concept of the time value of money, and to be competent with respect to ratio analyses and financial modeling by means of pro-forma financial statements. Students will use all of these concepts throughout this course. In particular, this course extensively employs calculations involving the time value of money (discounting and compounding).

Class Format

Classes will involve lectures, augmented with sample problems.

Tutorials

Tutorials are an integral part of this course. Lectures will focus on the principles of contemporary ideas in finance; tutorials will focus on the practical application of these ideas (solving problems). Only through a thorough understanding of both the underlying principles and the practical application, can students expect to gain a command of the material presented in this introductory course. Use the tutorials to provide assistance with any difficulties you may encounter. Unattended difficulties may adversely affect the probability of success in the examinations. Tutorials generally start the 2nd or 3th week of term. Check cuLearn for an announcement regarding the initiation of tutorials.

Required Text

Ross, Westerfield, Jordan and Roberts, **Fundamentals of Corporate Finance**, 8th Canadian Edition, McGraw-Hill Ryerson, 2013.

Grading

Term test 1	26%		0%		26%		0%
Term test 2	26%	OR	26%	OR	0%	OR	0%
Final exam	48%		74%		74%		100%

There will be two **optional** term tests. No medical note or other justification is required for missed tests. The table above shows the possible weightings that will be applied to tests. At the end of the course, each student's course mark will be calculated as the highest of the four possibilities from the table weightings. That is, there is no penalty for taking a term test and doing poorly. There is no penalty for missing a term test. Once marked, term tests will be returned.

Term tests will be held in class in the weeks shown in the class schedule. In fairness to all students, no make-up term tests will be administered.

The final exam is **required**. The final exam schedule will be announced by the University. Be sure that you are available for the final exam. **Allowance will not be made for conflicting plans.** The final exam is for evaluation purposes, not instruction. It will not be returned to students.

NOTE: The final exam will be comprehensive, covering material from the entire course. Students earning less than 40% on the final exam will receive an "F", regardless of their total mark in the course.

Although every effort will be made to mark fairly and accurately, students may question certain marks. To do so, write a brief note describing the difficulty with the awarded marks and provide the note, together with the test, to the instructor not later than seven days following the return of the graded test. Be sure to include your name and student number on the note to enable the instructor to identify it properly. Note that remarking may lead to a lower grade.

Printed translation dictionaries, with no handwritten notes, are allowed. Electronic translation dictionaries are not allowed.

Sample Problems

A selection of problems from the textbook will be recommended. These problems will not be graded. It is strongly recommended that students work through these problems. Group work is encouraged.

Student Responsibilities

Students are responsible for all readings listed on the course schedule regardless of whether or not specific mention of certain topics is made in class and regardless of whether or not topics are addressed in class. Because of time constraints, it will be impossible to cover all the chapter material in class. Class time will be spent on the most important topics and on the topics from which students receive the most benefit from explanation in class.

Doing Well in the Class

1. Read the assigned chapter before the class.
2. Do all self-test questions and all recommended problems (see course schedule below) for each assigned chapter of the textbook. The critical thinking questions in the textbook will help you to put chapter concepts into your own words, which will help you develop a “feel” for what’s going on.
3. Finance cannot be learned without solving problems. Answers to many text problems will be available on cuLearn. Don’t look at the answer to a problem until you have worked at the problem long enough to feel frustrated. Looking at posted answers without “working” problems is a waste of your time.
4. Be very sure that you completely understand any concepts and examples done in class. Redoing a class example, without looking at the answer can give you prompt feedback about issues that need clarification.
5. Regularly attend office hours and tutorials to help clarify class concepts.
6. Work at the course throughout the term. Cramming before tests won’t enable you to develop an understanding of the material.
7. Think about the course when not in class. For example, when reading the newspaper, you will see “explanations” for stock price movements, announcements of bond refunding, and discussions of the irrationality of investors. Are the explanations consistent with course concepts?

Course Schedule for BUSI 2504 E & F Winter 2015

Week of:	Topics	Chapters
Jan. 05	Introduction to Financial Management	1
	Future Value and Present Value	5 (begin)
12	Time Value of Money (TVM)	Rest of 5
	TVM with Multiple Cash Flows	6.1 – 6.3
19	Time Value of Money continued	Rest of 6
26	Valuing Bonds	7 + 7A
Feb. 02	Valuing Stocks	8
09	Term Test 1 (Ch's 1, 5, 6, 7)	
16	Winter Break – NO LECTURE	
23	Capital Budgeting: Net Present Value	9
	Cash Flow	2.1 – 2.4
Mar. 02	Market History & Market Efficiency	12
Mar. 09	Risk & Return: Portfolios	13
16	Term Test 2 (Ch's 8, 9, 2.1–2.4, 12)	
23	Cost of Capital	14
	Raising Capital	15
30	Credit Management	20.1 – 20.6

While every attempt will be made to keep to the schedule above, circumstances may necessitate modifications during the semester.

IMPORTANT ADDITIONAL INFORMATION

RECOMMENDED 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. Only non-programmable calculators without text storage capabilities will be allowed in the test and exam for this course.

Printed translation dictionaries are allowed, as long as they do not contain handwritten notes. Electronic translation dictionaries are not allowed.

GROUP WORK

The Spratt 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.

ACADEMIC ACCOMMODATION

You may need special arrangements to meet your academic obligations during the term because of disability, pregnancy or religious obligations. Please review the course outline promptly and write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist.

Students with disabilities requiring academic accommodations in this course must register with the Paul Menton Centre for Students with Disabilities (PMC) for a formal evaluation of disability-related needs. Documented disabilities could include but not limited to mobility/physical impairments, specific Learning Disabilities (LD), psychiatric/psychological disabilities, sensory disabilities, Attention Deficit Hyperactivity Disorder (ADHD), and chronic medical conditions. Registered PMC students are required to contact the PMC, 613-520-6608, every term to ensure that your Instructor receives your Letter of Accommodation, no later than two weeks before the first assignment is due or the first in-class test/midterm requiring accommodations. If you only require accommodations for your formally scheduled exam(s) in this course, please submit your request for accommodations to PMC by March 6.

The Equity Services website provides the policies and detailed information on academic accommodation at: <http://carleton.ca/equity/accommodation>

RELIGIOUS OBSERVANCE

Students requesting academic accommodation on the basis of religious observance 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 academic 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.

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 – YOUR RESPONSIBILITY!

Using, summarizing or copying directly from another person's work, without identifying the name of the original thinker, is considered a form of cheating called "plagiarism". Plagiarism has serious consequences and can result in course / assignment failure and /or academic suspension.

When using, and/or summarizing the ideas and words of another, be it from a web site, a written text, lecture or discussion group, you must identify the source. Should you choose to use the exact words of another, you must acknowledge these words as such by enclosing them within quotation marks. However, be aware that it is not acceptable to copy large chunks from a source, even if you reference it correctly.

Examples of plagiarism and other instructional offences are identified in the Undergraduate Calendar (section 14, p. 59), parts of which read:

*Examples of **plagiarism** include*

- Submitting a take-home examination, essay, laboratory report, or another assignment, written, in whole or in part, by someone else.
- Using ideas or direct verbatim quotations, paraphrased material, algorithms, formulae, scientific or mathematical concepts, or ideas without appropriate acknowledgements in academic assignments
- Using another's data or research findings
- Failing to acknowledge sources through the use of proper citations when using another's works and/or failing to use quotation marks.

Unauthorized Cooperation or Collaboration

- ... students shall not cooperate or collaborate in the completion of an academic assignment in whole or in part, when the instructor has indicated that the assignment is to be completed on an individual basis. Failure to follow the instructor's direction regarding which assignments, or parts of assignments, should be completed by the individual alone will be considered violation of the standards of academic integrity.
- Answering with another students' **clicker** is also a violation that can lead to severe sanctions.

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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