



COURSE OUTLINE

<u>BUS218</u> Course Number	<u>Principles of Financial Management</u> Course Title
<u>3</u> Credits	<u>3</u> Lecture/Laboratory Hours

Course description:

Principles of financial management as applied to the firm including the role of the finance manager; analyzing financial statements and the firm's performance; raising capital in the financial markets; the financing mix; valuation of financial assets; long term capital budgeting; working capital management, and international business finance.

Prerequisites: ACC111, ECO111 or 103, BUS205 or divisional permission

Corequisites: None

Required text: See Bookstore for current textbook

Last revised: Spring 2019

Course coordinator Professor Laura Sosa, sosal@mccc.edu, x3475

Library resources:

Business Week, NY Times, Wall Street Journal, The Economist, Financial Times

Learning Center resources: None

Course goals.

The student will be able to:

- explain the scope and environment of financial management including the roles of both the finance manager and the financial markets and institutions that managers interact with.

- evaluate a firm's current financial performance using financial statements and understand the role of planning in forecasting future performance.
- apply the concepts of time value of money, risk and rate of return to calculate the value of various financial assets.
- apply the concepts of "cost of capital" and cash flows to long term capital budgeting and risk analysis.
- recommend a firm's financing mix through the analysis of dividend payment versus issuance of debt.
- develop a firm's plan for short term financing and working capital management.
 - discuss the complexities involved in International Business Finance and specifically calculate the impact from exchange rate differences.
- debate the ethical issues associated with financial management within a firm.

Course-specific goals and objectives

Units of study:

Unit I The environment of financial management

The student will be

- **able to...** define the financial goals of a firm.
 - explain the differences between in most common legal forms of business.
 - explain the role of the financial manager.
- illustrate the principles that form the basis for financial management (risk/return tradeoff, time value of money, incremental cash flows, scarcity of profitable profits, efficient capital markets, agency problem, taxes, diversification, ethical behavior). illustrate the new role finance managers play in a global marketplace.
- measure a companies performance using a set of financial statements and ratio analysis.
 - calculate free cash flow and tax liability
 - explain the impact of international finance on financial statements
 - apply various methods of financial forecasting to the budgeting process
- ##### **Unit II Valuation of financial assets**

- The student will be able to...***
- apply the concept of time value of money to calculating Present and Future values of various annuity streams. integrate the impact of time value of money on multinational firms. explain the effect of inflation on rates of return, the Fisher Effect, and the International Fisher effect.
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- explain the term structure of interest rates.
- calculate expected return on an asset
- calculate, using standard deviation of return, the risk of an asset measure the
- market risk measure a portfolio's Beta and understands its significance in portfolio
- theory. measure the investor's required rate of return and understand the role of
- diversification in managing risk. understand diversification using global capital markets
- explain the characteristic of bonds and the determinants of value.
- illustrate • the bondholder's yield to maturity.
- apply the • valuation process to calculate the value of a
- bond • explain the features and types of stock.
- calculate • a value for both common and preferred stock.
- understand the relationship between value and earnings.
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Unit III Investment in Long Term Assets

The student will be able to...

- explain the capital budgeting process. evaluate a capital budgeting decision
- using Net Present Value (NPV), payback period, Internal Rate of Return (IRR) and other criteria.
- calculate the free cash flow of a
- project. discuss ethical dilemmas in capital
- budgeting.
- discuss complications involved in capital budgeting, including the calculation of expected free cash flow for international firms.
- incorporate risk into capital budgeting for both domestic and international firms.
- define the cost of capital.
- determine firms costs of capital, divisional costs of capital, and calculate a weighted average cost of capital.
- use the cost of capital to evaluate new capital investments
- understand who creates shareholder value and value drivers.
- calculate the Economic value Added (EVA) and understand its links to creating shareholder value.
- understand the Pay for Performance method.

Unit IV Capital Markets and Dividend Policy

The student will be able to...

- explain the movement of funds through the US economy and components of the
- system explain the role of the Investment Banker differentiate between public versus
- private placements define inter- country risk for the multinational firm
- calculate break even points
- calculate operating and financial leverage and interpret their meanings
- explain the tools used in analyzing optimal capital structure explain multiple theories
- of achieving optimal capital structure incorporate currency, sales and business risk
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into analysis of capital structure explain dividend payment procedures and how dividend payment affects stock prices. explain stock splits and repurchases
analyze the decision of dividend payment versus profit retention

Unit V Working Capital Management

The student will be able to

- estimate the cost of short term
- credit. define the sources of short term
- credit.
- determine the appropriate level of working capital. define liquidity
- and list liquid assets. explain why a company holds cash. explain the
- objectives of cash management and the decisions involved apply the
- decision making process to Cash, Marketable Securities, Accounts
- Receivable and Inventory Management.
- analyze the risk involved in futures, options, and currency swaps.
- incorporate tools for currency risk protection.

Unit VI Corporate Re-Structuring

The student will be able to

- explain a mergers' impact on
- value determine a firm's value analyze the
- financial impact of a divestiture calculate a
- lease versus buy decision **Evaluation of student learning.**

Students may be evaluated based upon the following:

- 15% - Exam #1 Unit I
- 15% - Exam #2 Unit II
- 15% - Exam #3 Unit III
- 15% - Exam #4 Unit IV
- 15% - Exam #5 Units V and VI
- 15% - Quizzes
- 10% - Project

Full and engaged attendance is expected and will be factored into the final grade. A half letter grade will be lowered for every three absences. Students are solely responsible for all content and announcements covered in their absence as well as acquiring distributed material. Students are also expected to arrive on time to class and are responsible for removal of any distractions (pagers, cell phones, side conversations, etc).

Academic Integrity Statement

MCCC Course Outline

“A student who a.) knowingly represents work of other as his/her own, b.) uses or obtains unauthorized assistance in the execution of any academic work or c.) gives fraudulent assistance to another student is guilty of cheating. Violators will be penalized. “(Student Handbook)