

A: GENERAL COURSE OBJECTIVES

This course builds on the **Principles of Finance** course and **further develops the necessary** tools to help the manager analyze and solve financial problems in a business organization. Generally, the student is expected to:

- 1) **demonstrate** a further understanding of the functional responsibilities involved in the process of a firm's financial management.
- 2) **demonstrate** a deeper understanding of the tools used **by managers to analyze corporate financial performance and to fulfill their functional responsibilities.**
- 3) **demonstrate** **competence in analyzing and solving financial problems of a complexity beyond the basic level.**
- 4) demonstrate an understanding of the **interaction between finance and** other functional areas of business.

B: SPECIFIC STUDENT LEARNING OUTCOMES:

By the end of the course, the student will be able to:

1. Explain how risk factors, inflation, asset diversification and capital rationing are integrated into the capital budgeting process. **(A2)**
2. Perform sensitivity, scenario and simulation analyses in the evaluation of capital projects. **(A2, A3)**
3. Explain the role that capital budgeting plays in adding value to the firm. **(A1, A2)**
4. Discuss the risks and benefits of global investing and explain their importance in corporate strategy. **(A1)**
5. Discuss the complexities involved in evaluating a foreign investment (exchange rate, risk premiums, etc...). **(A2)**
6. Define "capital structure" and explain the concept of an optimal capital structure. **(A1, A2)**
7. Define "leverage" and discuss how the use of debt could increase the expected level of cash flows but how it could also increase risk. **(A1, A2)**
8. Calculate the effect of debt on corporate taxation and therefore on the firm's cash flows and overall value. **(A3)**
9. Explain the "discipline of debt" and "signaling" as they apply to leverage. **(A2)**
10. Define common dividend terminology and describe the process of paying dividends. **(A1, A2)**
11. Explain various dividend policies and the implications of signaling, investor expectations, and agency costs in setting dividend policy. **(A2)**
12. Explain stock repurchases, stock dividends, and stock splits and why such actions may (or may not) affect stockholders' wealth. **(A2)**
13. Perform dividend related calculations, such as dividends per share, payout ratio, plowback rate, and expected returns. **(A3)**
14. Describe the cash management process and the cash cycle. **(A1, A2)**
15. Explain the effect of liquidity (excess or deficient) on the value of the firm. **(A2)**
16. Define the terminology involved in the management of cash and receivables. **(A1, A2)**

17. Discuss the factors involved in the corporate credit policy process and analyze the credit policy of at least one corporation. **(A1, A2, A3)**
18. Define the terminology involved in the management of inventory and describe the inventory management process. **(A1, A2)**
19. Use appropriate formulas to solve cash, receivables and inventory management problems – such as economic order quantities, compensating balances, effective loan rates and effective discount rates. **(A3)**
20. Define working capital policy and identify different sources of short-term funds, including cash and marketable securities. **(A2)**
21. Prepare and analyze a corporate cash budget. **(A1, A2, A3)**
22. Identify the various sources of information necessary to evaluate corporate performance – accounting statements, market data, analyst opinions, the internet. **(A2)**
23. Perform financial statement analysis using trend statements, comparative statements and ratio analysis. **(A2, A3)**
24. Distinguish between Economic Value Added and Market Value Added as performance measures. **(A2)**
25. Describe the characteristics of the various types of corporate restructuring transactions (mergers, acquisitions, hostile takeovers, tender offer contests, divestitures, etc...) and explain the motives for these transactions. **(A1, A2)**
26. Describe how the mergers and acquisitions field has evolved over time, highlighting some of the recent developments in the industrialized world. **(A1, A2)**
27. Explain how mergers and acquisitions might enhance shareholder wealth. **(A1, A2)**
28. Explain the potential agency or ethical problems in restructuring transactions. **(A1)**
29. Analyze a restructuring transaction using the basic tools and techniques already developed **here and in the basic finance** course. **(A2, A3)**
30. Use relevant examples to demonstrate how the non-finance functional areas (management, accounting, human resources, marketing, operations/production) can support financial decision making. **(A4)**
31. Demonstrate how financial tools might be applied to problems in those non-finance functional areas (management, accounting, et al...). **(A3, A4)**

C: COURSE CONTENT

- Risk, Inflation, and the Corporate Capital Budget
- Capital Structure
- Dividend Policy
- Short-term Financial Management
- Financial Analysis
- Corporate Restructuring
- Finance and Other Business Functions

D: TEXTBOOK

Foundations of Corporate Finance, 2e, by Hickman, Hunter, and Byrd. South-Western Publishing: Ohio, 2002. (Chapters 9-16)

E: REQUIRED COURSE MATERIALS

Business/Financial calculator

F: METHODS OF INSTRUCTION

Lectures, guest speakers, projects, homework, classroom exercises, and various individual and group assignments. Overhead and/or LCD projections and videos will be used as instructional aids, depending on availability.

G: EVALUATION/ASSESSMENT:

Assessment will be in the form of projects (including cases), quizzes, homework, individual and group assignments, and exams given throughout the semester. Grades will be assigned based on the following percentage of total points received from the assessment activities:

90 - 100% = A; 80 - 89% = B; 70 - 79% = C; 60 - 69% = D; 59% and under = F

H: CREDIT BY EXAMINATION AVAILABLE FOR THE COURSE

None

I: ATTENDANCE POLICY

The College attendance policy shall be applied.

J: ACADEMIC HONESTY POLICY

The College academic honesty policy shall be applied.