

## FINANCE 318 COURSE OUTLINE

### Business Finance

*Text: Fundamentals of Corporate Finance (8<sup>th</sup> Edition) – Ross, Westerfield, & Jordan*

**Learning Objectives:** To provide each student with an introduction to basic financial decision making including: setting financial goals, measuring risk and return, analyzing financial conditions and procurement and investment of financial capital. Analytical thinking in a managerial environment will be stressed.

Specific Learning Standards emphasized in this course include:

*Critical Thinking* -- analyzes information; utilizes logic; recognizes patterns and forms conclusions; recognizes and evaluates assumptions, theses, and support of arguments.

*Research Skills* -- applies scientific method to problem solving; utilizes basic statistical analysis; clarifies ill-defined problems; synthesizes information into coherent whole.

*Technological Proficiency* -- demonstrates knowledge and use of current technology for problem solving.

*Ethics* -- demonstrates knowledge and application of ethical concepts.

**Course Specifics:** Course prerequisites are ACCT 202, ECON 202, MATH 125 and Junior standing. Given that probabilistic concepts and some common probability distributions are utilized, completion of QA233 is highly recommended. Also, all students are expected to have completed a computer literacy course that emphasizes the use of Excel and a financial calculator. Hence, students will be expected to complete assignments using a financial calculator or Excel without specific directions from the instructor.

The following indicates the learning objectives in each chapter that should be given the most emphasis in lecture, problem assignments, and testing. Other learning objectives may be covered at the instructor's discretion.

<i>Chapter</i>	<i>Chapter Title</i>	<i>Learning Objectives to be Emphasized</i>
1	Introduction	<ul style="list-style-type: none"><li>• Understand the goals of the firm and the concept of value creation.</li><li>• Recognize the agency problems and ethical issues that arise as firms pursue value maximization goals.</li></ul>
2	Financial Statements, Taxes and Cash Flow	<ul style="list-style-type: none"><li>• Be able to clearly define the difference between a cash flow and earnings.</li><li>• Be able to clearly define the difference between market value and book value.</li></ul>
3	Financial Statements	<ul style="list-style-type: none"><li>• Understand the strengths and limitations of financial statement ratio analysis.</li><li>• Be able to compute financial ratios using real-world data.</li><li>• Understand and evaluate financial ratios against industry benchmarks.</li></ul>
4	Financial Planning and Growth	<ul style="list-style-type: none"><li>• Understand the necessity of long-term financial planning and the concept of sustainable and internal growth rates.</li><li>• Be able to calculate sustainable and internal growth rates.</li><li>• Recognize the interrelationships between operations, financing, and growth.</li></ul>

5	Time Value of Money	<ul style="list-style-type: none"> <li>• Understand concept of time value of money, the role of interest rates and inflation.</li> <li>• Be able to calculate the time value of money for both single cash flows and annuities.</li> </ul>
6	Discounted Cash Flow Valuation	<ul style="list-style-type: none"> <li>• Utilize time value of money concepts to analyze cash flows of investment projects.</li> <li>• Demonstrate ability to use both financial calculators and Excel to solve numerical examples.</li> </ul>
7	Interest Rates and Bond Valuation	<ul style="list-style-type: none"> <li>• Understand what a bond is and what determines its value.</li> <li>• Be able to calculate the price of a bond including the issues of coupon rate, yield to maturity, call features, and accrued interest.</li> </ul>
8	Stock Valuation	<ul style="list-style-type: none"> <li>• Recognize current structure of the stock market and its critical role in our economy.</li> <li>• Understand what a stock is and what determines its value.</li> <li>• Be able to calculate the price of a stock including the issues of constant and non-constant growth rates, and required rates of return.</li> </ul>
9	Investment Criteria	<ul style="list-style-type: none"> <li>• Be able to calculate investment criteria measures including NPV, IRR, payback, discounted payback, and accounting rate of return.</li> <li>• Understand the strengths and weaknesses of each investment criteria.</li> </ul>
10	Capital Investment Decisions	<ul style="list-style-type: none"> <li>• Understand which cash flows are appropriate to include in the capital investment decision.</li> <li>• Calculate project values using relevant cash flows and appropriate discounted cash flow techniques.</li> </ul>
11	Project Analysis	<ul style="list-style-type: none"> <li>• Be able to incorporate break-even and sensitivity analysis techniques in conjunction with DCF techniques.</li> <li>• Analyze mini-cases on capital budgeting issues.</li> </ul>
12	Capital Markets History	<ul style="list-style-type: none"> <li>• Understand the difference between geometric and arithmetic returns and appropriate application on each.</li> <li>• Be able to discuss the various Efficient Market hypotheses.</li> <li>• Understand historical returns, volatilities, and risk-premiums.</li> </ul>
13	Return, Risk, and the Security Market Line	<ul style="list-style-type: none"> <li>• Understand the relationship between risk and return.</li> <li>• Be able to describe the concept of diversification and the difference between systematic and non-systematic risk.</li> <li>• Describe the Security Market Line and the role of Beta.</li> </ul>