

# BUS A200: BUSINESS FINANCE

Item	Value
Curriculum Committee Approval Date	09/21/2021
Top Code	050100 - Business and Commerce, General
Units	3 Total Units
Hours	54 Total Hours (Lecture Hours 54)
Total Outside of Class Hours	0
Course Credit Status	Credit: Degree Applicable (D)
Material Fee	No
Basic Skills	Not Basic Skills (N)
Repeatable	No
Grading Policy	Standard Letter (S)

## Course Description

Provides students with the fundamentals of financial management. The course addresses financial organizations, financial analysis and planning, working capital, the budgeting process, sources of financing, mergers and acquisitions, and cash flow analysis. ADVISORY: ACCT A101 or ACCT A101H. Transfer Credit: CSU.

## Course Level Student Learning Outcome(s)

1. Relate and apply the principles of financial planning to analyze small and large financial case study evaluations with minimal instructor input.
2. Describe and analyze the time value of money and understand present value, future value and net present value of money and financial concepts.
3. Understand, interpret and analyze the four standard financial statements used to assist internal users such as managers and executives, as well as external users such as investors and lending institutions, in making business and investment decisions.

## Course Objectives

- 1. Define finance, its major areas and opportunities, and the legal forms of business organization and explain the goal of the firm, corporate governance, the role of ethics, and the agency issue.
- 2. Using financial statements, analyze a firm's liquidity and activity performance using ratios and the DuPont system of analysis to perform a complete ratio analysis.
- 3. Measure the relationship between debt and financial leverage and the ratios used to analyze a firm's debt.
- 4. Analyze cash flow and financial planning including tax depreciation procedures, depreciation of various companies.
- 5. Calculate future value and present value for single amounts, ordinary annuities, an annuity due, of a perpetuity, and a mixed stream of cash flows.
- 6. Analyze the cost to a corporation of raising funds through debt and equity using the capital asset pricing model; correlate its relationship to the security market line and the major forces causing shifts in the SML.
- 7. Recognize interest rate fundamentals, the term structure of interest rates, and calculate risk premiums.

- 8. Define basic capital budgeting terminology and through the use of case studies, analyze capital budgeting scenarios.
- 9. Recognize the key assumptions, the basic concept, and the specific sources of capital associated with the cost of capital including short-term and long-term financial management and the related tradeoff between profitability and risk.
- 10. Analyze case studies of merger and acquisition candidates utilizing merger fundamentals, including terminology, motives for merging, and types of mergers including the objectives and procedures used in leveraged buyouts and divestitures.

## Lecture Content

INTRODUCTION TO MANAGERIAL FINANCE The Role and Environment of Managerial Finance Finance and Business The Managerial Finance Function Goal of the Firm Financial Institutions and Markets Business Taxes Financial Statements and Analysis The Stockholders Report Using Financial Ratios Liquidity Ratios Activity Ratios Debt Ratios Profitability Ratios Market Ratios Cash Flow and Financial Planning Analyzing the Firms Cash Flow The Financial Planning Process Cash Planning: Cash Budgets Profit Planning: Pro Forma Statements Preparing the Pro Forma Income Statement Preparing the Pro Forma Balance Sheet Evaluation of Pro Forma Statements IMPORTANT FINANCIAL CONCEPTS Time Value of Money The Role of Time Value in Finance Single Amounts Annuities Mixed Streams Compounding Interest More Frequently than Annually Special Applications of Time Value Risk and Return Risk and Return Fundamentals Risk of a Single Asset Risk of a Portfolio Risk and Return: The Capital Asset Pricing Model Interest Rates and Bond Valuations Interest Rates and Required Returns Corporate Bonds Valuation Fundamentals Bond Valuation Stock Valuation Differences Between Debt and Equity Capital Common and Preferred Stock Common Stock Valuation Decision Making and Common Stock Value SHORT-TERM FINANCIAL DECISIONS Working Capital and Current Asset Management Net Working Capital Fundamentals Is The Cash Conversion Cycle Inventory Management Accounts Receivable Management Management of Receipts and Disbursements Current Liabilities Management Spontaneous Liabilities Unsecured Sources of Short-Term Loans Secured Sources of Short-Term Loans LONG-TERM INVESTMENT DECISIONS Capital Budgeting Cash Flows The Capital Budgeting Decision Process The Relevant Cash Flows Finding the Initial Investment Finding the Operating Cash Inflows Finding the Terminal Cash Flow Capital Budgeting Techniques Payback Period Net Present Value Internal Rate of Return Comparing NPV and IRR Risk and Refinements in Capital Budgeting Risk in Capital Budgeting Behavioral Approaches for Dealing with Risk International Risk Considerations Risk-Adjusted Discount Rates Capital Budgeting Refinements LONG-TERM FINANCIAL DECISIONS The Cost of Capital An Overview of the Cost of Capital The Cost of Long-Term Debt The Cost of Preferred Stock The Cost of Common Stock The Weighted Average Cost of Capital The Marginal Cost and Investment Decision Leverage and Capital Structure Leverage The Firms Capital Structure The EBIT-EPS Approach to Capital Structure Choosing the Optimal Capital Structured Dividend Policy Dividend Fundamentals The Relevance of Dividend Policy Factors Affecting Dividend Policy Types of Dividend Policies Other Forms of Dividends SPECIAL TOPICS IN MANAGERIAL FINANCE nb Hybrid and Derivative Securities Leasing Convertible Securities Stock Purchase Warrants Options Mergers, LBOs, Divestitures, and Business Failures Merger Fundamentals LBOs and Divestitures Analyzing and Negotiating Mergers Business Failure Fundamentals Reorganization and Liquidation in Bankruptcy International Financial Management The Multinational

Company and its Environment Financial Statements Risk Long-Term  
Investment and Financing Decisions Short-Term Financial Decisions  
Mergers and Joint Ventures

## Method(s) of Instruction

- Lecture (02)
- DE Live Online Lecture (02S)
- DE Online Lecture (02X)

## Instructional Techniques

Lecture; use of case studies, both individual and group; group discussions; student-led presentations; in-class and homework problem sets.

## Reading Assignments

Assigned reading from text(s) (1 hour per week)

## Writing Assignments

(1 hour per week) The students performance on quizzes/midterms and the final exam which include short essays, and written reports on short case studies will be used to determine proficiency. In addition, a large case study is used to determine the students writing, financial knowledge, and critical thinking proficiency.

## Out-of-class Assignments

Weekly (3 hours) Review PowerPoint multimedia presentation Complete chapter LearnSmart (interactive intelligent software) Chapter homework assignment Chapter quiz Student support activities including video podcasts, self-tests, flashcards, and games Large Case Project (1 hour per week) Interactive case simulation

## Demonstration of Critical Thinking

Written examinations (true/false, multiple choice, short essays), class participation, and use of case studies, both large and small.

## Required Writing, Problem Solving, Skills Demonstration

The students performance on quizzes, midterms and final exam, which include short essays, and written reports on case studies will be used to determine proficiency. In addition, a multiple week long simulation case study is done which culminates with a final report. A class presentation is given explaining the students decision making process/criteria.

## Eligible Disciplines

Business: Masters degree in business, business management, business administration, accountancy, finance, marketing, or business education OR bachelors degree in any of the above AND masters degree in economics, personnel management, public administration, or Juris Doctorate (J.D.) or Legum Baccalaureus (LL.B.) degree OR bachelors degree in economics with a business emphasis AND masters degree in personnel management, public administration, or J.D. or LL.B. degree OR the equivalent. Masters degree required. Business: Masters degree in business, business management, business administration, accountancy, finance, marketing, or business education OR bachelors degree in any of the above AND masters degree in economics, personnel management, public administration, or Juris Doctorate (J.D.) or Legum Baccalaureus (LL.B.) degree OR bachelors degree in economics with a business emphasis AND masters degree in personnel management, public administration, or J.D. or LL.B. degree OR the equivalent. Masters degree required.

## Textbooks Resources

1. Required Cornett, Adair, Nofsinger M. Finance, 5th ed. New York: McGraw Hill, 2022 2. Required Ross, S., Westerfield, R., Jordan, B.. Essentials of Corporate Finance, 11th ed. New York, NY: McGraw-Hill/Irwin, 2022