Administrative Unit: Business Administration Department

Course Prefix and Number: FINC 350

Course Title: Business Finance

Number of: Credit Hours: 3  Lecture Hours: 3  Laboratory Hours: 0

Catalog Description: A study of the finance function in corporate decision-making. Topics include financial statement analysis, risk and return, valuation, cost of capital, working capital management, the time value of money, and capital budgeting. Prerequisites: ACCT 281; MATH 150 or MATH 170.

Prerequisite(s)/Corequisite(s): ACCT 281; MATH 150 or MATH 170.

Text(s): Most current editions of the following:


Course Objectives:

- To identify the goal of the firm and understand why shareholders’ wealth is preferred over other goals.
- To describe “financial management” in terms of the three major decision areas that confront the financial manager.
- To analyze financial statements and interpret financial ratios to assess company performance.
- To understand the role of the time value of money in valuing securities.
- To integrate expected rates of return and the firm’s capital structure to calculate and evaluate the firm’s cost of capital.
- To understand the way in which investment projects are analyzed including the impact of risk, taxes, and inflation and apply techniques of capital budgeting.
- To develop the analytical skills necessary for financial decision-making based on an understanding of the factors that impact financial decisions-making, implementation and evaluation.
Measurable Learning Outcomes:

- Understand why it makes sense for corporations to maximize their market values.
- Explain the advantages and disadvantages of the most common forms of business organization and determine which forms are most suitable to different types of businesses.
- Explain the major business functions and decisions that the firm's financial managers are responsible for.
- Define agency costs and explain how shareholders monitor and encourage corporate managers to maximize shareholder wealth.
- Interpret the information contained in the balance sheet, income statement and statement of cash flows.
- Distinguish between market and book value.
- Explain why income differs from cash flow.
- Understand the essential features of the taxation of corporate income.
- Calculate and interpret measures of a firm's leverage, liquidity, efficiency, and profitability.
- Use the Du Pont formula to understand the determinants of the firm's return on its assets and equity.
- Understand the importance of effective working capital management.
- Review the conservative, aggressive, and matching financing strategies that a firm might employ to fund the long-term trend and seasonal fluctuations in its business.
- Apply the principles of the time value of money to single and multiple cash flows.
- Estimate the required rates of return on securities issued by the firm systematic and unsystematic risk, explain why systematic risk is more closely linked to returns than unsystematic risk.
- Explain the market risk, or beta of a security.
- Relate the market risk of a security to the rate of return that investors demand.
- Explain the term structure of interest rates and the relationship between risk and return.
- Explain why bonds exhibit interest rate risk.
- Find the market price of a bond given its yield to maturity, find a bond yield given its price, and demonstrate why prices and yields vary inversely.
- Explain why investors pay attention to bond ratings and demand a higher interest rate for bonds with low ratings.
- Calculate the present value of a stock given forecasts of future dividends and future stock price.
- Use stock valuation formulas to infer the expected rate of return on common stock.
- Interpret price-earnings ratios.
- Identify the cash flows property attributable to a proposed investment project.
- Calculate the cash flows of a project from standard financial statements.
- Explain how the company's tax bill is affected by depreciation and how this affects project value.
• Explain how changes in working capital affect project cash flows.
• Explain a firm’s capital structure.
• Explain capital budgeting procedures and the characteristics that management desire sin a capital budgeting technique.
• Explain the logic, calculation, and pros and cons using net present value to evaluate proposed capital expenditures.
• Explain the logic, calculation, and pros and cons of using internal rate of return to evaluate proposed capital expenditures.
• Calculate the profitability index and use it to choose between projects when funds are limited.
• Calculate the weighted-average cost of capital.
• Explain how risk can be incorporated into the capital budgeting process.
• Explain how diversification reduces portfolio volatility.
• Explain the importance of estimating the impact a given investment will have on the overall risk of the firm—the portfolio effect.

Topical Outline (major areas of coverage):

- Goals and Functions of Financial Management
- Financial Analysis
- Working Capital and the Financing Decision
- Time Value of Money
- Valuation and Rates of Return
- Cost of Capital
- Capital Budgeting

Every Business Administration course includes a written and oral presentation component.

Recommended maximum class size for this course: 30

Library Resources: Online databases are available at http://www.ccis.edu/offices/library/resources.asp. You may access them from off-campus using your eServices login and password when prompted.

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Name Signature

Date: September 21, 2005

NOTE: The intention of the master syllabus is to provide an outline of the contents of this course, as specified by the faculty of Columbia College, regardless of who teaches the course, when it is taught or where it is taught. Faculty members teaching this course for Columbia College are expected to facilitate learning pursuant to the course objectives and cover the subjects listed in the topical outline. However, instructors are also encouraged to cover additional topics of interest so long as those topics are relevant to the course’s subject. The master syllabus is, therefore, prescriptive in nature but also allows for a diversity of individual approaches to course material.

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