Administrative Unit: Business Administration Department

Course Prefix and Number: FINC 396

Course Title: Corporate Finance

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

Catalog Description: Analysis of financial and accounting information and its impact on financial decision making and profit planning. Topics include: financial planning and control tools, leverage and capital structure, investment banking, dividend policy, corporate restructuring, risk management, and international financial management.

Prerequisite(s)/Corequisite(s): ACCT 281, MATH 150 or MATH 170 (if taken at Columbia College).

Text(s): The following is a list of recommended textbooks. Comparable textbooks may be selected by individual instructors.

Most current editions of the following:


Course Objectives:

- To understand the subject of corporate financial management.
- To identify factors that impact financial decision-making, implementation, and evaluation.
- To understand the planning and control tools of corporate finance.
- To analyze leverage and its effects on optimal capital structure.
- To describe the basic concepts of investment banking and the services investment bankers provide.
• To investigate dividend policies and dividend-payment procedures.
• To explore mergers and other forms of corporate restructuring including bankruptcy.
• To describe the types of risks that can adversely affect a firm’s cash flows and explain how a firm might choose to hedge those risks.
• To list the types of risks that multinational corporations face when they conduct business in different countries and currencies.

Measurable Learning Outcomes:
• Understand why conflicts of interest may arise in large organizations and discuss how corporations can provide incentives for everyone to work toward a common end.
• Explain the key measures of firm performance such as market value added and economic value added.
• Estimate valuation of a company using the free cash flow approach.
• Explain the potential problems that can arise when management of the corporation and ownership are separate (i.e., the agency problem).
• Critique corporate governance and the underlying issues of social responsibility.
• Explain the impact of growth on the firm’s balance sheet and the role of the sustainable growth model as a planning device.
• Describe the cash conversion cycle, the firm’s objectives with regard to it, and the actions the firm can use to accomplish these objectives.
• Explain the role of pro forma financial statements in the financial planning process.
• Explain the role of the cash budget in planning and monitoring the firm’s cash inflows and outflows.
• Explain the key concerns of the financial manager with regard to managing inventory and accounts receivable.
• Critique the purpose and makeup of financial markets and institutions.
• Describe the major classes of securities issued by firms to raise capital.
• Explain the basic choices that corporations face in raising long-term financing.
• Describe the costs and benefits of raising long-term funds by issuing securities in the capital market.
• Describe the basic issuance and pricing patterns observed in the initial public offering (IPO) market and the seasoned equity offering market.
• Understand the implications of market efficiency for a firm’s financial decisions.
• Summarize recent trends in the use made by firms of different sources of capital.
• Explain how firms make initial public offerings and the costs of such offerings.
• Explain the role of underwriter in an issue of securities.
• Explain how financial leverage increases both a firm’s risk and its returns.
• Critique operating leverage and financial leverage, and the potential effect each has on a firm’s cost of capital.
• Explain how corporate and personal taxes affect capital structure decisions.
• Analyze the effect of debt financing on the risk and required return of equity holders.
• Explain how the costs of bankruptcy and the financial distress affect capital structure decisions.
• Explain the fundamentals of dividends, including payment procedures, types of policies and other forms of dividends.
• Describe how dividends are paid and how companies decide on dividend payments.
• Describe the most important characteristics of long-term debt financing, such as the factors that influence its cost and the covenants lenders include to protect their investments.
• Explain how a corporation decides whether to refund an existing bond issue by exercising a call option.
• Explain the difference between operating leases and capital, or financial leases.
• Describe the steps involved in deciding whether to purchase an asset through a lease or by borrowing the money required to purchase the asset.
• Explain how companies can use options, futures, and forward contracts to reduce risk.
• Explain how companies can use swaps to change the risk of securities that they have issued.
• Describe the difference between fixed and floating exchange rates.
• Describe ways that companies change their ownership or management.
• Explain why it may make sense for companies to merge and the gains and costs to the acquiring firm.
• Describe takeover defenses.

Topical Outline (major areas of coverage):

• Goals and Functions of Financial Management
• Managing for Shareholder Value
• Financial Forecasting, Planning, and Budgeting
• Capital Markets and Investment Banking
• Analysis and Impact of Leverage
• Capital Structure Theory and Planning the Firm’s Financial Mix.
• Dividend Policy and Internal Financing
• Long-term Loans and Leasing
• Risk Management
• International Business Finance
• Corporate Restructuring: Combinations, Divestitures, and Bankruptcy.

All Business Administration courses include a written and oral presentation component.
Material from this course may be tested on the Major Field Test (MFT) administered during the Culminating Experience course for the degree.

Recommended maximum class size for this course: 20

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.

Prepared by: Sally Wells

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.

Office of Academic Affairs
12/04