

GRANDE PRAIRIE REGIONAL COLLEGE
 DEPARTMENT OF ARTS, EDUCATION AND COMMERCE
 FN 3700
 INTRODUCTION TO CORPORATE FINANCIAL MANAGEMENT
 COURSE OUTLINE

Instructor: Richard Beeson Fall 1996
 Office:
 Office Hours:
 Phone:

I COURSE OBJECTIVE

The course provides a general corporate framework for financial decision making. The course examines types of securities and basic methods of valuation. Topics also include valuation and selection of physical and intellectual assets, operation of asset markets and market efficiency, risk measures, risk reduction methods, and choosing between debt and equity financing.

*PREREQUISITES: MA1130, MS3010, AND AC3110

II TEXTBOOK

FUNDAMENTALS OF CORPORATE FINANCE Second Canadian Ed., Ross, Westerfield, Jordand and Rogers, Irwin, 1996

Study Guide to Accompany Fundamentals of Corporate Finance, A. Ahmad

Regular reading of the Globe and Mail, Financial Post, and other financial newspapers is expected of business students.

III MARK DISTRIBUTION

Three Assignments	(10% each)	30%
Mid-Term Exam		30%
Final Exam		40%
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Total		100%

COURSE OUTLINE:

I. OVERVIEW OF CORPORATE FINANCE

1. Introduction to Corporate Finance CH. 1
 - What is Corporate Finance
 - What is Financial Management
 - Forms of Business Organization
 - Agency Problem & Control of the Corporation
 - Financial Institutions, Financial Market, & Corporation
2. Financial Statement, Taxes & Cash Flow CH. 2
 - Balance Sheet
 - Income Statement
 - Cash Flow
 - Taxes & Capital Cost Allowance

II. FINANCIAL STATEMENTS & LONG-TERM FINANCIAL PLANNING

3. Working with Financial Statements CH. 3
 - Cash Flow & Financial Statement
 - Ratio Analysis
 - The Du Pont Identity
 - Why Evaluate Financial Statement
 - Problem with Financial Statement Analysis
4. Long-Term Financial Planning & Growth CH. 4
 - What Is Financial Planning
 - Financial Planning Models
 - Financing & Growth
 - Sustainable Growth Formula

III. VALUATION OF FUTURE CASH FLOWS

5. The Time Value of Money CH. 5
 - Present Value & Future Value
 - Compounding
 - Annuities & Perpetuities
 - Comparing Rates
6. Valuing Stocks & Bonds CH. 6
 - Bonds & Bond Valuation
 - Common Stock Valuation
 - On Duration
 - Term Structure of Interest Rate (The Expectations, Liquidity Preference & Market Segmentation Theories)

IV. CAPITAL BUDGETING

7. Net Present Value & Other Investment Criteria, CH. 7
 Net Present Value
 The Payback Rule
 The Internal Rate of Return
 The Practice of Capital Budgeting
8. Making Capital Investment Decision CH. 8
 Relevant Cash Flow
9. Project Analysis & Evaluation CH. 9

V. RISK & RETURN

10. Some Lessons from Capital Market History CH. 10
 Returns
 Inflation & Returns
 Average Returns
 Variability of Returns
 Capital Market Efficiency
11. Return, Risk, & the Security Market Line CH. 11
 Expected Return
 Portfolios
 Unexpected Returns
 Risk: Systematic & Unsystematic
 Diversification & Portfolio Risk
 Beta as a Measure of Risk
 Capital Asset Pricing Model

VI. LONG-TERM FINANCING

12. An Introduction to LT Financing CH. 12
 Long-Term Debt
 Bond Ratings
 Different Types of Bonds
 Preferred Stock
 Common Stock
 Long-Term Financing Under Distress & Bankruptcy
13. Issuing Securities to the Public CH. 13
 Basic Procedure for a New Issue
 Cash Offer
 New Equity Sales & the Value of the Firm
 cost of Issuing Securities
 Dilution

VII. COST OF CAPITAL & LONG-TERM FINANCIAL POLICY

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| 14. | Cost of Capital | CH. 14 |
| | Cost of Capital | |
| | Cost of Equity | |
| | Costs of Debt & Preferred Stock | |
| | Weighted Average Cost of Capital | |
| 15. | Financial Leverage & Capital Structure Policy | CH. 15 |
| 16. | Dividend & Dividend Policy | CH. 16 |

VIII. TOPICS IN CORPORATE FINANCE

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| 17. | Options & Corporate Securities | CH. 20 |
| | Put Options & Call Options | |
| | Fundamentals of Option Valuation | |
| | Issuing Warrants & Convertibles | |
| | Other Options | |
| | Futures Contracts | |
| 18. | Mergers & Acquisitions | CH. 21 |
| 19. | International Corporate Finance | CH. 22 |

*** Due to the limited time, we may not be able to cover all of the above, but we will try.

NOTES:

1. It is important that attendance at lectures be regular.
2. It is strongly advisable that the appropriate chapters are read prior to each lecture since this is generally considered to be an important and helpful approach to the study of economics.
3. The accompanying study guide provides an excellent means whereby students may test themselves about their understanding of text materials.
4. Failure to withdraw from the course before official withdrawal deadline may result in an "F" grade because a mark of 0% will be assigned to the incomplete portion of the course work.
5. Absence from class will not be accepted as a legitimate reason for failure to submit an assignment or to attend an exam on time.
6. Students are encouraged to contact the instructor regarding any questions pertaining to course materials or their performance in the course. Remember that your instructor is here to help you learn, not to make things hard to you. It is a great pleasure to see you in the office for consultation and discussion whenever you feel the need...

BEST WISHES