

DURNFORD

✓ Sault College  
of Applied Arts and Technology  
sault ste. marie

Course Outline

FINANCE & INVESTMENTS I  
BUS 202-4

revised September 1979,

*Revised  
July 1980*

FINANCE & INVESTMENTS I

BUS 202-4

- Texts: \*Fundamentals of Financial Management  
James C. Van Horne, Cecil R. Dipchand,  
J. Robert Hanrahan  
- Prentice-Hall
- \*Case Problems in Finance  
J. K. Butters, William E. Fruhan Jr.  
Thomas R. Piper  
- Irwin Dorsey

Reference Material:

Financial Post  
Globe & Mail "Report on Business"  
Financial Newsletters.

- \* Students should purchase both texts, however, these same texts will also be used in the 4th semester for Finance & Investment II.

Objectives:

To provide the student with an introductory understanding of:

1. How to analyse a financial case history.
2. Financial decision making and its role in Financial Management.
3. Types of Business Organization and Taxes.
4. Basic financial Analysis and Accounting techniques.
5. Economic factors relating to Financial Management.
6. Mathematics of Finance.
7. Capital Budgeting and Valuation.
8. Principles of Asset Management including:
  - a) Working Capital Management.
  - b) Cash Management
  - c) Accounts Receivable Management.
  - d) Inventory Management.
9. Current events from a Financial Management standpoint.

Student Goals:

The student will be expected to acquire the following skills and knowledge:

1. Ability to communicate verbally and in writing using correct financial terminology in classroom discussion of case histories and subject material.
2. Proficiency in techniques of basic Financial analysis.
3. Awareness of various forms of Business Organization (partnerships, Corporations, Sole proprietorships).
4. Understanding of basics of Business Accounting Systems.
5. Familiarity with the Mathematics of Finance.
6. Ability to critically analyze alternatives related to asset management.
7. Interest in current financial events in today's business environment.

Method:

Finance & Investment I is integrated with Finance and Investments II and the course content including the cases treat the basic financial principles in the 3rd semester and apply these principles to more extensive cases in the 4th semester. Thus, a student should achieve a reasonable competence in financial analysis so that success in Finance & Investment II is possible.

Evaluation:

Students will be evaluated on the following basis:

3 tests	50%
Class participation	50%

Evaluation will be based on how well the student achieves the goals listed. Class participation will include proper preparation for case assignments as well as participation in classroom discussion on lecture material and topics of current interest.

Attendance in class is therefore of utmost importance in order for student to achieve the stated goals and allow the instructor the opportunity to evaluate.

Evaluation (Contd):

Re-writing of tests will be allowed in extenuating circumstances because of illness or legitimate absences.

It is the responsibility of the student to make arrangements with the Instructor on re-writes. Attendance at the make-up period is an earned opportunity based on improvement in attitude, attendance and effort.

FINANCE & INVESTMENTS I

BUS 202-4

Week	Subject	Material
1	<u>Review - How to analyse a case</u> - review of course content and discussion of outline ✓ - method of student evaluation and progress ✓ - integral relationship between F&I 1 and F&I 2 ✓	✓Lecture - discussion (slides 38-45 - Dynamics of Delegation carousel) ✓  Case: See, Inc. ✓(hand-out)
2	<u>The Role of Financial Management</u> - function of the financial manager ✓ - the concept of risk ✓ - the goal of the firm ✓	Lecture - Discussion Read chapter 1 (Fundamentals of Financial Management). ✓Case: The Case of the Un-identified Industriels pg. 3 (Case problems in Finance)
3&4	<u>Business Organizational Form</u> - the sole proprietorship ✓ - the partnership ✓ - the corporation ✓ - administrative organization for financial decisions ✓ - valuation procedures ✓  <u>Taxes</u> - corporate income taxes ✓ - personal income taxes ✓  <u>Test # 1</u> (chapters 1 & 2)	Read chapter 2 Lecture - Discussion ✓Case: Alford & Wells (hand-out) ✓Case: John Pieters (hand-out) ✓Case: Harrington Corpn pg 426 (Case problems) ✓Lecture - Discussion Chapter 2 review ✓Selected problems #2 (Tax calculations) pg 26&27 (F.F.M.)
5&6	<u>Financial Analysis</u> - a framework for analysis ✓ - liquidity ratios ✓ - debt ratios ✓ - profitability ratios ✓ - coverage ratios ✓ - funds statement ✓ - cash budgeting ✓ - forecasting ✓	Read chapters 3 & 4 ✓Lecture - Discussion (income & liabilities) ✓Lecture - Discussion (assets & liabilities) ✓Case: The Mintz Co. pg 6 ✓Case: Welbilt Furniture pg 1 ✓Case: The Cunningham Co. pg 1 ✓Case: Sunshine Toy pg 12
7&8	<u>Economic Factors &amp; Financial Management</u> - the role of economic theory ✓ - application of economics to financial decisions ✓ - current economic conditions and business risk ✓	Lecture - Discussion ✓Case: Crown Corporation pg 132 ✓Case: Cutrite Shear Inc. pg 31 ✓Case: Science Technology pg 46 - Financial Post <i>B. J. M. M. D. L. E. L.</i>

FINANCE & INVESTMENTS I

BUS 202-4

Week	Subject	Material
9	<u>Mathematics of Finance</u> - break-even analysis ✓ - discounting - present value ✓ - compound interest - mark-up - gross margin - review.  <u>Test # 2</u> ✓	✓ Read chapter 12 (F.F.M.) ✓ Case: Upstate Canning pg 113 ✓ Case: Cal-Chem Corp. pg 159
10	<u>Capital Budgeting</u> - present value vs internal rate of return ✓ - depreciation and salvage value ✓	Lecture - Discussion ✓ Read chapter 13 (F.F.M.) ✓ Case: Economy Shipping pg 229
11	<u>Risk and Capital Budgeting</u> - project risk ✓ - measuring risk for industrial investment ✓	Lecture - Discussion ✓ Read chapter 14 (F.F.M.) ✓ Case: Western Fabricating pg 125 (Class presentation and debate on alternatives)
12	<u>The Valuation Process</u> - valuation of common shares	Read chapter 15 ✓ Lecture - Discussion ✓ Case: Burke Candy pg 105 (Presentations on selected annual statements from Canadian companies)
13	<u>Working Capital Management</u> - introduction - financing current assets ✓ - operating cycles ✓ - permanent working capital ✓ - temporary working capital ✓ - projecting requirements ✓	→ Lecture - Discussion ✓ Read chapter 5 (F.F.M.) ✓ Case: Browning Lumber pg 39  ✓ read pgs. 70-75 (F.F.M.)
14	<u>Cash &amp; Marketable Securities</u> - cash management ✓ - investment in marketable securities - cash forecasting ✓	✓ Lecture - Discussion Read chapter 6 (F.F.M.) ✓ Case: American Motors pg 54 ✓ Bank visit - T-D.
	<u>Accounts Receivable</u> - introduction - trade and consumer credit - credit and collection policies	Read chapter 7 (F.F.M.) Lecture - Discussion Case: Allen Distribution pg 64

FINANCE & INVESTMENTS I

BUS 202-4

Week	Subject	Material
15	<p>Cont'd/ <u>Inventory Management and Control</u> - introduction - inventory control - relation to financial management  <u>Final Test</u></p>	<p>Read chapter 8 (F.F.M.) Case: Review Sunshine Toy pg 12</p>