

SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Course Outline

FINANCE AND INVESTMENTS II

BUS-206-4

Revised January 1978<sup>1979</sup>

## FINANCE AND INVESTMENTS II

BUS 206-4

- Texts:
1. Canadian Business Finance, Bug. Mumey, Irwin-Dorsey Ltd.
  2. Case Problems in Finance by Butters, Fruhan and Piper (published by Irwin-Dorsey Limited)
  3. Selected Cases: - (to be handed out)

\*Texts already purchased by students for F & I.

### Reference Material

Financial Post, Globe and Mail "Report on Business".

Financial Newsletters

Published Annual Reports, Prospectii, Analysis Reports

Personal Finance by M. Unger & H. Wolf - published by Allyn & Bacon

### Objectives

To re-inforce student's skills in Financial analysis and provide a practical understanding of:

1. Trade Credit, Short Term loans and Intermediate Term Financing.
2. Long Term Financing including; Money and Capital Markets, External, Financing, and Long Term Debt
3. Preferred stock and Common Stock
4. Mergers, acquisition and long-term growth
5. Personal Finance and the principles of personal investing.

### Student Goals

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

1. An understanding of terms of sale and trade credit
2. Proficiency in techniques of Financial Analysis and information presentation for bank purposes.

FINANCE AND INVESTMENTS II  
BUS 206-4

3. Background in the subject areas of Term loans, Revolving credit, Loan agreements, chattel mortgages, Lease and equipment financing
4. Understanding of Financial Markets.
5. Underwriting and Government regulations.
6. Types of bonds and feature of long-term debt.
7. Types of preferred and common stock and the function of the stock market.
8. Knowledge of mergers and acquisition.
9. Awareness of the method and techniques available for management of personal finance and investment.

Method

Instruction will consist of lecture, class room discussion of actual cases and analysis of financial statements of companies in various industries.

Evaluation

Students will be evaluated on the following basis:

3 test.....50%  
project report.....25%  
class participation.25%

Class participation will include proper preparation for case assignments as well as participation in class room discussion on lecture material and topics of current interest.

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

Re-writing of tests will be allowed in extenuating circumstances because of sickness or legitimate absences. If no arrangement is made by student on re-writes, attendance at make-up period will be necessary.

<u>Week</u>	<u>Subject</u>	<u>Assignments</u>
1	<u>Review of Financial Analysis and Projection</u> <ul style="list-style-type: none"> <li>- break even analysis</li> <li>- cashflow analysis</li> <li>- Ratio analysis</li> <li>- Pro-Financial Statements</li> </ul>	Lecture - Discussion Case: Act I page 1 Case: Deppe & assoc. pg. 11 Case: Renmuth Inc. pg.6
2&3	<u>Short Term Sources of Funds</u> <ul style="list-style-type: none"> <li>- importance of bank credit</li> <li>- credit analysis</li> <li>- trade credit</li> <li>- loan agreement of bank loans</li> <li>- use of security (A/R, Inventory Fixed assests, securities)</li> </ul>	Lecture - Discussion Case: Progressive Lumber pg. 24 Case: The Major Steel Co. pg.16 Bank Act Revising 1977 Financial Post
TEST #1		
4	<u>Intermediate Term Sources of Funds</u> <ul style="list-style-type: none"> <li>- management's role in negotiating effective loan agreements</li> <li>- maintaining a good bank relationship</li> <li>- term loans to finance fixed assets</li> </ul>	Case: Richard Irwin Inc. pg.29 Lecture - Discussion Read Chapt 12 - Canadian Business Finance Case: Central Foods, pg. 39
5	<u>Long Term Funds</u> <ul style="list-style-type: none"> <li>- planning for sources of borrowing</li> <li>- types of bonds, debentures, mortgage bonds, convertible bonds</li> <li>- the bond market</li> </ul>	Lecture: (read ch.13 - Canadian Business Finance) Case: Aircraft Manufacture pg.35 Case: The Cincinnati Gas and Electric Co. (pg.70) (Read ch.14-Can.Bus.Finance) Financial Post

<u>Week</u>	<u>Subject</u>	<u>Assignments</u>
6	<u>Preferred Stock</u>	Lecture - Discussion (pgs. 326-333-Can.Bus.Finance)
	- the nature and type of preferred stock	
	- Cumulative feature	Case: Cowan Solvents (A) pg. 53
	- Participating feature	
	- Voting power	Boxer Corpn (handout)
7	<u>Common Stock</u>	Lecture - Discussion (chapt.16- Can. Bus. Finance)
	- authorized, issued and outstanding	
	- Par value	Case: Ashland Oil, Inc. pg.92
	- book value	
	- Market value	Case: SCM Corpn, (A) pg.29 - (Case Problems in Finance)
	- rights of shareholders	
8	<u>The Cost of Capital</u>	Lecture - Discussion
	- review of money and capital markets	(Read Chapt.11 - Can.Bus.Finance)
	- market value of ownership	
	- variables	Case: March Instrument; pg.84
	- cost of equity capital	
	- cost of debt capital	
	- preferred stock leverage	Financial Post
	- optimum Capital structure (theories)	Phoenix aircraft Corp. (pg. 145 - Case Problems in Fin.)
	- Capital Budgeting and Cost of Capital	

TEST #2

<u>Week</u>	<u>Subject</u>	<u>Assignments</u>
9	<u>Financial Growth</u> - financing and new small-scale enterprise - Government assistance to small business - Growth through merger or aquisition - valuation of a business * handout project	Lecture - Discussion (handout)  Summer Fun Corpn (handout) Case: Cooper Industries (pg. 384 - Case Problems) Case: Amalgamated Man. (pg. 367 - Case Problems)
10	<u>The Capital Markets</u> - Role of Financial Intermediaries - New Issues - Investment Banking  - markets-prices and spcialists - Regulation of Security Markets	Lecture - (handouts)  Review Chapter 16  Case: Ling-Temco-Vought (pg. 458-Case Problems)  F.P.-(Pitfield-McKay rep.)
11	<u>The Goal of Financial Management</u> - maximizing revenues - maximizing owner's equity - making financial decision - risks and alternatives	Lecture (ch.10-Can.Bus.Finance - Project - Verbal report of Project

Report project (from company annual reports)

FINANCE AND INVESTMENT  
BUS 206-4

Page 6

Week	Subject	Assignment
13	<u>Personal Finance</u> - personal income - standard of living - improving your income - budgeting - banking - consumer credit - insurance - personal saving	Lecture-Discussion  Case:- (handout)  Review of Financial Terms
	<u>*FINAL TEST*</u>	
14	<u>Principles of Investing for Long and short term</u> - Securities- Make-up of Portfolios. - Growth - Diverification - Providing investment Funds	Financial Post  and  Selected Readings
15	<u>Investing (continued)</u> - Commodities - Fighting inflation and decline of purchasing power.	