

rev
Jan '80

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

Course Outline

COURSE OUTLINE

FINANCE AND INVESTMENTS II

BUS 206-4

revised January, 1979

FINANCE AND INVESTMENTS II

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- Texts:
1. Fundamentals of Financial Management, Vanttorne, Dipchard, Hanrahan - Canadian Third Edition - Prentice-Hall.
 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.

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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.

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>	
	- break even analysis	Lecture - Discussion
	- cashflow analysis	Case: Act I page 1.
	- Ratio analysis	Case: Deppe & assoc. pg. 11
	- Pro-Financial Statements	Case: Renmuth Inc. pg.6
2&3	<u>Short Term Sources of Funds</u>	Lecture - Discussion
	- importance of bank credit	Case: Progressive Lumber pg. 1
	- credit analysis	Case: The Major Steel Co. pg.
	- trade credit	
	- loan agreement of bank loans	
	- use of security (A/R, Inventory Fixed assets, securities)	Bank Act Revising 1977 Financial Post
	TEST #1	
4	<u>Intermediate Term Sources of Funds</u>	
	- management's role in negotiating effective loan agreements	Case: Richard Irwin Inc. pg.2
	- maintaining a good bank relationship	Lecture - Discussion Read Chapters 10 & 11 Fundamentals of Financial Management
	- term loans to finance fixed assets	Case: Central Foods, pg. 39
5	<u>Long Term Funds</u>	Lecture: (read ch.21 - F.F.M.)
	- planning for sources of borrowing	Case: Aircraft Manufacture pg
	- types of bonds, debentures, mortgage bonds, convertible bonds	Case: The Cincinnati Gas and Electric Co. (pg.70) (Read ch.22 - F.F.M.)
	- the bond market	Financial Post

<u>Week</u>	<u>Subject</u>	<u>Assignments</u>
6	<u>Preferred Stock</u> <ul style="list-style-type: none"> - the nature and type of preferred stock - Cumulative feature - Participating feature - Voting power 	Lecture - Discussion Chapter 23 - F.F.M. pgs. 542-548. Case: Cowan Solvents (A) pg. 53 Boxer Corpn (handout)
7	<u>Common Stock</u> <ul style="list-style-type: none"> - authorized, issued and outstanding - Par value - book value - Market value - rights of shareholders 	Lecture - Discussion (chapt. 23 - F.F.M. pgs. 548-557) Case: Ashland Oil, Inc. pg.92 Case: SCM Corpn, (A) pg.29 - (Case Problems in Finance)
8	<u>The Cost of Capital</u> <ul style="list-style-type: none"> - review of money and capital markets - market value of ownership - variables - cost of equity capital - cost of debt capital - preferred stock leverage - optimum Capital structure (theories) - Capital Budgeting and Cost of Capital 	Lecture - Discussion (Read Chapt. 20 - F.F.M) Case: March Instrument; pg.84 Financial Post Phoenix aircraft Corp. (pg. 145 - Case Problems in Fin)

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) Read Chapter 25 - F.F.M. 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 20 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 Review Chapter 1 - F.F.M - Project - Verbal report of Project Report project (from company annual reports)

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 Ter
	FINAL TEST	
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.	