

BUS 226 FINANCE

(3 credits)

Instructor: Jim Budde ... office 477-7071

COURSE DESCRIPTION

This course is a survey of corporate financial concepts applicable to most US businesses. Students will develop an understanding of the history of finance; the origins and functions of capital markets; the concept of time value of money; the corporate approach to financing decisions; basic risk management and the effects of international currency fluctuations on domestic corporations.

COURSE OBJECTIVES

At the end of this course, each student should:

1. Know the history of finance.
2. Have a thorough understanding of U.S. capital markets.
3. Be able to demonstrate a thorough understanding of the concept of "time value of money."
4. Be able to calculate a corporation's cost of capital.
5. Be able to demonstrate a thorough understanding of the concepts of payback period, accounting rate of return, net present value and internal rate of return.
6. Be able to demonstrate a thorough understanding of the concept of capital budgeting.
7. Be familiar with the concepts of risk management and risk adjusted rates of return.
8. Be able to explain the significance of selected corporate ratios.
9. Be able to calculate the effects of foreign currency fluctuations on U.S investments, both here and abroad.
10. If time permits, be familiar with the basic types of retirement plans found in U.S. corporations.

FIRST SESSION

1. Introduction and explanation of course and learning expectations.
2. Discussion of course requirements.
3. An introduction to finance, from both an historic and current perspective. Capital markets and marketable securities; calculating the cost of raising money for corporate expansions; investment bankers; equity vs. debt financing.

SECOND SESSION

Continuation of the discussion of corporate financing. Review selected security valuation models for stocks and bonds. Introduction to the concept of "time value of money." Topics for discussion include present and future values of a single sum, present and future values of an annuity, mortgage amortization and sinking fund calculations.

THIRD SESSION

Fundamentals of capital budgeting and cash flow analysis. Practical exercises in calculating present value, payback, and internal rate of return and accounting rate of return.

FOURTH SESSION

Continuation of the discussion and practical exercises started in the third session.

FIFTH SESSION

Discussion of risk and the capital budgeting process (to include a brief review of simulation models). Discuss the risk management tools available to U.S. corporations. Primary emphasis on hedging with futures and options.

SIXTH SESSION

Continuation of discussion started in session five. Review the concept of derivatives and their impact on financial markets. Discuss international currency fluctuations and their effects on US investments.

SEVENTH SESSION

Review the significance and use of selected corporate ratios. If time permits, explore the principal types of retirement plans in U.S. corporations. Discuss SEP/IRA, Profit Sharing, Defined Benefit, and 401(k), 403(b) and ESOP plans.

EIGHTH SESSION

Final Exam

TEXT

Selected chapters from *Introduction to Financial Management*, sixth edition by Schall and Halley, McGraw-Hill, Inc., 1991 and *Foundations of Financial Management*, seventh edition by Block and Hirt, Irwin, 1994. The text is **Finance, Barron's Business Review Series by A.A. Groppelli and Ehsan Nikbakt, 8th edition. ISBN 0-8120-1916-4.** This book is not required but is strongly recommended.

COURSE POLICIES

1. **A basic understanding of algebra is required. No classroom time will be used for refreshing your math skills.**
2. Quizzes and exams are given in class as scheduled. Except in the case of extreme emergencies, twenty-four (24) hour notifications are required to arrange for make-up exams. Failure to do so results in an exam score of zero (0).
3. Attendance: It is imperative that you attend all sessions. If you know in advance that you must miss a class, speak to me so that I can make sure you catch up. One absence can be made up. **If you anticipate missing more than one (1) class, do not enroll in this course.**

4. Quizzes and exams include both essay and multiple choice questions. The final is comprehensive.
5. Grading
 - 100-90 = A
 - 89-80 = B
 - 79-70 = C
 - 69-60 = D
 - 59 and below is not acceptable.
6. Academic Integrity Policy

The Doane College Academic Integrity Policy will be adhered to in this class. All projects and tests will represent your own work. Any use of others' ideas and words without proper citation of sources is plagiarism and will result in a loss of all points for that particular assignment or test.
7. Handouts will be provided throughout the course, however **it is imperative students have the ability to take reliable notes.** Class handouts are not a substitute for the text. Instructor notes will not be made available.