Course Description
A survey of financial concepts and analytical tools used by domestic and international businesses. This course includes financial mathematics, financial and operational planning and management, and long-term investment analysis, including cost of capital and capital budgeting. When appropriate, spreadsheet applications will be integrated into this course. Prerequisite: Accounting 103, Economics 203 (Macroeconomics), and Computer Systems Applications 102 (Intro to Spreadsheets), or permission of instructor.

Required Text
None

Course Objectives
This is an overview course designed to develop a clear understanding of the tools and skills necessary for use by those in both financial and non-financial positions in today’s organizations to appropriately analyze and plan for the overall financial health of today’s organizations. By the end of the course, the class will be familiar with and be able to utilize the concepts of:

- financial ratio analysis
- financial statements
- operational budgets
- capital budgets
- cost of capital
- net present value
- long-term investment strategies

The course will take a non-technical approach to understanding these concepts. Students will also complete the course with an understanding of financial planning, budgeting, and forecasting.

During the eight-week session a combination of lectures, case studies, and class projects will be utilized to provide the students with a sound perspective of financial management concepts and practical applications. Students work together as a single team to develop a financial plan for a fictitious business. At the conclusion of the course, the students will present a current balance sheet and a current cash flow statement, with a financial ratio analysis of the current financial health of the business. They will also present a projected operating budget, a projected capital budget, a retained earnings investment plan, and a
net present value analysis justifying any projected new business ventures and/or capital expenditures.

**Course Grading**
The final course grade will be composed of the following:

- Mid-term exam on tools of financial analysis: 20 points
- Comprehensive final exam on financial concepts: 20 points
- Group Project: 40 points
- Homework: 20 points

**Projected Grade Distribution will be as follows:**

- A: 90 – 100+ points
- B: 80 - 89 points
- C: 70 - 79 points
- D: 60 - 69 points

**Mid-term Exam:**
The mid-term exam will cover proper recognition and utilization of the tools of financial analysis. The exam may include true/false, multiple choice, fill in the blank, or short essay questions. There will be no make-up exam unless approved by the instructor prior to the exam. The student must have a compelling reason for missing an exam and the decision regarding make-up exams lies solely with the instructor. The form of any make-up exam may not necessarily follow the same format as the regular exam. The mid-term exam represents 30 points of the possible 100 points that can be earned by the student over the course of the class.

**Group Project:**
During class session number 1, the class will create a fictitious business for whom each class member will be employed and have a specific role to play on the management team. The class will work together toward a presentation of their organization’s current financial status, with conclusions drawn from the utilization of recognized tools of financial analysis. The presentation will include forward looking operational, cash flow, and capital budgets, and a well thought out investment policy for the organization’s retained earnings. A net present value analysis will be used to justify any new products, services, or capital expenditures budgeted by the organization. Presentations will occur in class session number 8. Each member of the team will have a role in the presentation. One half of the points earned by each team member will be equal to the points earned by the team for their presentation, with a maximum of 20 points possible. The other half of the points earned by each team member will be representative of that team member’s score on his or her portion of the presentation, with a maximum of 20 points possible for the individual score. Within the group project the total points possible for each member of the class is 50. Team members not present on the night of the presentations will receive no points for their group project. The group presentation represents a possible total of 50 points toward the student’s final grade.
Homework:
Homework will consist primarily of assignments which will give students the opportunity to apply the financial tools being discussed in class. In addition, short research assignments on current business financial issues found in business periodicals, newscasts or on the internet may be made asking the student to report briefly to the class on such issues. It will be expected that homework will be completed and presented to the instructor at the time required. Late homework will not be accepted. Homework represents a possible total of 20 points toward the student’s final grade.

Class Participation:
Discussion is an important part of this class and the students’ input is valuable to the entire class. Class participation is required, especially in a course where the major portion of the student’s grade comes from a collaborative group project. Students are expected to be present at each class session and to make constructive contributions to the class discussion on a regular basis. In order to involve students who might be hesitant to participate in class discussions, the instructor will randomly call on students to comment upon or give insight into issues being discussed by the class.

Attendance Policy:
Attendance at class is mandatory. Students missing class for any reason are not excused from completing all class assignments, including homework. Exams missed due to absence may not be made up unless prior arrangement has been made with the instructor or, at the sole discretion of the instructor, extraordinary circumstances forced missing of the exam. All exams must be completed prior to final grades being released. Because the term involves only eight (8) class sessions, missing a single class can make it difficult to stay up with assignments and lecture content. While no grade penalty will be assessed for one (1) absence, it is highly recommended that students attend all class sessions. A second absence will result in the lowering of one (1) letter grade. A third absence will result in failure of the course.

The course outline is subject to change based upon class progress. Homework will be assigned throughout the term, as appropriate. Doane College makes all decisions regarding the cancellation of classes due to bad weather. In the event of a cancelled class, assignments carry over to the next class time.

The Doane College Academic Integrity Policy will be adhered to in this class. In the course of your preparation for papers, examinations, projects, and presentations you will be asked to work with others and/or rely on the opinions, writings, or research of others. This is perfectly acceptable and in most instances is expected. However, when you use another’s words, ideas, or opinions –cite it! I fully expect that your ideas will from time to time spring from the ideas of others. Let me know when you are using those ideas, and whose ideas they are. The use of other sources without proper citation is unfair to the source and to you. It will result in failure of the project, examination, or paper in which the reference was used and will possibly result in failure of the course.
Course Outline and Text Assignments

Session Number 1 – You Can’t Always Trust the Numbers (chapters 1-3)

   Course Introduction
   Personal Introductions
   Team Organization
   Chapter 1 – You Can’t Always Trust the Numbers
      The Income Statement
      Operating Expenses
      Capital Expenditures
   Chapter 2 – Spotting Assumptions, Estimates, and Biases
      Accruals
      Allocations
      Depreciation
      Valuation
   Chapter 3 – Why Increase Your Financial Intelligence
      Financial Literacy
      Goodwill
      Balance Sheet
      Cash and Cash Flow

Session Number 2 – The (Many) Peculiarities of the Income Statement (chapters 4-8)

   Chapter 4 – Profit is an Estimate
      Basic Accounting
      Matching
   Chapter 5 – The Income Statement
      What It Measures
      Actual vs. Pro Forma
      Comparative Data
      The Footnote
      The Big Rule
   Chapter 6 – Revenue
      Sales
      Earnings per Share
      Manipulating the Numbers
   Chapter 7 - Costs and Expenses
      COGS and GOS
      Above and Below the Line
      Operating Expenses
      Depreciation and Amortization
      Non-cash Expense
      One-Time Charges
   Chapter 8 – The Many Forms of Profit
      Gross Profit
      Operating Profit (EBIT)
      Net Profit
Session Number 3 – The Balance Sheet (chapters 9-13)
Chapter 9 – Balance Sheet Basics
   Equity
   Individuals vs. Businesses
   Fiscal Year
Chapter 10 – Assets
   Cash and Cash Equivalents
   Accounts Receivable
   Inventory
   Property, Plant, and Equipment
   Goodwill
   Intangibles
   Accruals and Prepaid Assets
Chapter 11 – On the Other Side
   Liabilities
   Owners’ Equity
Chapter 12 – Why the Balance Sheet Balances
Chapter 13 – How the Income Statement Affects the Balance Sheet
   The Affect of Profit on Equity
   Assessing a Company’s Health

Group Project Work

Session Number 4 – Cash is King (chapters 14-18)
Chapter 14 – Cash is a Reality Check
Chapter 15 – Profit ≠ Cash (and you need both)
   Profit without Cash
   Cash without Profit
Chapter 16 – The Language of Cash Flow
   Operating Activities
   Investing Activities
   Financing Activities
Chapter 17 – How Cash Connects with Everything Else
   Reconciling Profit and Cash
Chapter 18 – Why Cash Matters
   Understanding Cash Flow

Group Project Work

Session Number 5 – Ratios: Learning What the Numbers are Really Telling You (chapters 19-23)
Practice Mid-term Examination

Chapter 19 – The Power of Ratios
   Accounting Tricks
   Analyzing Ratios
Chapter 20 – Profitability Ratios  
Profit Margin Percentages  
Return on Assets  
Return on Equity  
Chapter 21 – Leverage Ratios  
Debt-to-Equity  
Interest Coverage  
Chapter 22 – Liquidity Ratios  
Current Ratio  
Quick Ratio  
Chapter 23 – Efficiency Ratios  
Inventory Days and Turnover  
Days Sales Outstanding  
Days Payable Outstanding  
PP&E Turnover  
Total Asset Turnover  

Group project work

Session Number 6 – Calculating Return on Investment (chapters 24-25)  
Mid-term Examination

Chapter 24 – The Building Blocks of ROI  
Future Value  
Present Value  
Required Rate of Return  
Opportunity Cost  
Cost of Capital  
Chapter 25 – Figuring ROI  
Payback Method  
Net Present Value Method  
Internal Rate of Return Method

Session Number 7 – Applied Financial Intelligence: Working Capital Management (chapters 26-28)  
Chapter 26 – The Magic of Managing the Balance Sheet  
The Elements of Working Capital  
Working Capital and the Production Cycle  
Chapter 27 – Your Balance Sheet Levers  
Managing Days Sales Outstanding (DSO)  
Managing Inventory  
Chapter 28 – Honing in on Cash Conversion  
The Cash Conversion Cycle

Group project work
Session Number 8 – Creating a Financially Intelligent Organization (chapters 29-31)
Chapter 29 – Financial Literacy and Corporate Performance
Chapter 30 – Financial Literacy Strategies
Chapter 31 – Financial Transparency: Our Ultimate Goal
Final Exam
Project presentations