Doane College at Grand Island
BUS 226 – FINANCE

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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. Please note: Grand Island students do not need permission from the instructor to take BUS 226. He has developed the course in a way in which the pre-requisites are not required. Students wishing to register for this course who have not taken all of the pre-requisites will need to go to www.doane.edu/register-me and their advisor will do the registration.

Required Text
ISBN: 1422144119
Hardback

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 that 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  
BUS 226 – Finance

Session Number 1 – You Can’t Always Trust the Numbers (chapters 1-4)
- 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
- Chapter 4 – The Rules Accountants Always Follow (Why You Don’t Have To)

Session Number 2 – The (Many) Peculiarities of the Income Statement (chapters 5-9)
- Chapter 5 – Profit is an Estimate
  - Basic Accounting
  - Matching
- Chapter 6 – Cracking the Code of the Income Statement
  - What It Measures
  - Actual vs. Pro Forma
  - Comparative Data
  - The Footnote
  - The Big Rule
- Chapter 7 – Revenue: The Issue is Recognition
  - Sales
  - Earnings per Share
  - Manipulating the Numbers
- Chapter 8 - Costs and Expenses: No Hard-and-Fast Rules
  - COGS and GOS
  - Above and Below the Line
  - Operating Expenses
Depreciation and Amortization
Non-cash Expense
One-Time Charges

Chapter 9 – The Many Forms of Profit
Gross Profit
Operating Profit (EBIT)
Net Profit

Session Number 3 – The Balance Sheet Reveals the Most (chapters 10-14)
Chapter 9 – Understanding Balance Sheet Basics
Equity
Individuals vs. Businesses
Fiscal Year
Chapter 10 – Assets: More Estimates and Assumptions (Except for Cash)
Cash and Cash Equivalents
Accounts Receivable
Inventory
Property, Plant, and Equipment
Goodwill
Intangibles
Accruals and Prepaid Assets
Chapter 11 – On the Other Side: Liabilities and Equity
Liabilities
Owners’ Equity
Chapter 12 – Why the Balance Sheet Balances
Chapter 13 – 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 15-19)
Chapter 15 – Cash is a Reality Check
Chapter 16 – Profit ≠ Cash (and you need both)
Profit without Cash
Cash without Profit
Chapter 17 – The Language of Cash Flow
Operating Activities
Investing Activities
Financing Activities
Chapter 18 – How Cash Connects with Everything Else
Reconciling Profit and Cash
Chapter 19 – Why Cash Matters
Understanding Cash Flow
Mid-term Review

Session Number 5 – Ratios: Learning What the Numbers are Really Telling You (chapters 20-25)

Mid-term Examination

Chapter 20 – The Power of Ratios
  Accounting Tricks
  Analyzing Ratios
Chapter 21 – Profitability Ratios: The Higher the Better (Mostly)
  Profit Margin Percentages
  Return on Assets
  Return on Equity
Chapter 22 – Leverage Ratios: The Balancing Act
  Debt-to-Equity
  Interest Coverage
Chapter 23 – Liquidity Ratios: Can We Pay Our Bills?
  Current Ratio
  Quick Ratio
Chapter 24 – Efficiency Ratios: Making the Most of Your Assets
  Inventory Days and Turnover
  Days Sales Outstanding
  Days Payable Outstanding
  PP&E Turnover
  Total Asset Turnover
Chapter 25 – The Investor’s Perspective: The “Big Five” Numbers and Shareholder Value

Group project work

Session Number 6 – How to Calculate Return on Investment (chapters 26-27)

Chapter 26 – The Building Blocks of ROI
  Future Value
  Present Value
  Required Rate of Return
  Opportunity Cost
  Cost of Capital
Chapter 27 – Figuring ROI: The “Nitty-Gritty”
  Payback Method
  Net Present Value Method
  Internal Rate of Return Method

Group Project Work
Session Number 7 – Applied Financial Intelligence: Working Capital Management (chapters 28-30)

Chapter 28 – The Magic of Managing the Balance Sheet
The Elements of Working Capital
Working Capital and the Production Cycle
Chapter 29 – Your Balance Sheet Levers
Managing Days Sales Outstanding (DSO)
Managing Inventory
Chapter 30 – Homing in on Cash Conversion
The Cash Conversion Cycle

Group project work

Session Number 8 – Creating a Financially Intelligent Company (chapters 31-33)

Chapter 29 – Financial Literacy and Corporate Performance
Chapter 30 – Financial Literacy Strategies
Chapter 31 – Financial Transparency: Our Ultimate Goal

Final Exam

Project presentations