

Cape Breton University

Shannon School of Business

MBAC 6103 – Fundamentals of Finance

Location: Centennial College, Progress Campus, Toronto

Instructor: Shirley Lamarre, MBA, CPA, CGA, ACCA
Shirley.lamarre@rogers.com

Session : Winter 2019 : February 2019

Course Description:

This course aims to provide an overview of financial theory as it focuses on the application of modern financial techniques to financial decisions. The course covers financial analysis and planning, valuation of assets, capital markets, investment and financing decisions and the interplay of risk on these topics. The role of ethical behaviour is incorporated in the discussion of financial concepts and financial management decisions.

Students are expected to have a reasonable knowledge of generally accepted accounting principles prior to attending the courses. Students who successfully complete this course will have the necessary knowledge to assess financial decisions analytically in both business environments and in community development initiatives.

Course Objectives:

1. Construct a conceptual framework for making sound financial management decisions
2. Examine financial markets, financial instruments, and the concept of market efficiency
3. Assess Risk and Return and its applications in investment decisions
4. Distinguish the central financial issues facing the organization and the impact on its value
5. Appraise the role of financial decisions in improving the flexibility of the organization and in aligning with strategy to adapt effectively to change.

Course Materials:

1. **Textbook:** *Fundamentals of Corporate Finance*, by Brealey, Myers, Marcus, Maynes and Mitra, McGraw-Hill Ryerson, Sixth Canadian Edition with Connect code
2. **Calculator:** The *Texas Instruments BAI Plus* popular financial calculator will be used as a tool to solve financial models and problems. It is a mandatory requirement for this course.
3. **Connect online access code:** Online quizzes and self practice exercises.

Evaluation:

Class Participation	20%
In-class and online quizzes	30%
Final exam (take home)	20%
Case(s) assigned by instructor	30%

Meeting 1

Friday, February 8, 2019 (6 pm – 9:00 pm):

Time value of money

Present value, future value, annuities and perpetuities

Text: Chapter 5

This is an important, 'foundation' chapter, and will be covered in depth in class.

Finance Pre Core: Handout with time value of money exercises using the functions of a financial calculator. *Bring your TI BAII Plus calculator.*

Quiz #1 - Connect: *Online quiz – Chap 5*

Saturday, February 9 (9:00 am – 5:30 pm):

Introduction to Corporate Finance (Chaps 1, 2 and 4)

- Goals and governance of the firm
- Financial Markets and Institutions
- Measuring Corporate Performance

Prep for in class Quiz #2: *covering chapters 1, 2 and 4*

Sunday, February 10 (9:00 am – 12.30 pm):

Quiz #2 (in class) - covering chapters 1, 2, 4.

Bond Valuation (Chap 6)

Present value, yield to maturity, interest rate risk, risk of call, default risk

Stock valuation (Chap 7)

Valuing future dividends, forecasting dividends, growth stocks, and valuation based on earnings, valuing stocks without dividends

Quiz #3: Connect: *Online quiz covering chapters 6 and 7*

Meeting 2

Friday, February 22 (6:00 pm – 9:00 pm):

Capital Investment Decisions (Chap 8)

Net Present Value (NPV) and other Investment Criteria such as Internal Rate of Return (IRR), Payback period, and Profitability Index

Quiz #4 - Connect: Online quiz – Chap 8

Saturday, February 23 (9:00 am – 5:30 pm):

Discounted cash flow analysis, opportunity costs, effect of business taxes (Chap 9)

Project Analysis (Chap 10)

Capital budget, sensitivity & scenario analysis, Economic break-even

Prep for in class Quiz #5: covering chapters 9, 10, 11

Sunday, February 24 (9:00 am – 12.30 p.m):

Risk – Return (Chap 11)

Rates of return, measuring risk, diversification, risk principles

Continue prep for in class Quiz#5: Chapters 9, 10, 11

Meeting 3

Friday, March 1 (6:00 pm – 9:00 pm):

Quiz #5 (in class): Chapters 9, 10 and 11

Risk – Return and Capital Budgeting (Chap 12)

Measuring market risk, company risk, portfolio betas, CAPM and the security market line, project risk

Saturday, March 2 (9:00 am – 5:30 pm):

Financing (Chap 14)

Introduction to Corporate Financing and Governance

Capital Structure (Chap 13)

Weighted Average Cost of Capital and Company Valuation

Prep for in class Quiz #6, covering chapters 12, 13 and 14

Sunday, March 3 (9:00 am – 12.30 pm):

Quiz #6 (In class): Chapters 12, 13 and 14

Venture capital, IPOs and Seasoned Offerings (Chap 15)

Final exam: A take home exam will be handed out in class.

Course Format:

1. **Class Participation.** Please be sure to read and study the textbook, cases, and readings that are assigned. Students are expected to come to class prepared (for both cases and text material) and ready to contribute.

The quality and relevance of your contributions to class discussion as well as your attendance will factor into your grade for this component. Class contribution is an important part of the course, because it promotes learning and helps the instructor gauge if you are keeping up with the material. Quality participation implies being able to surface and prioritize issues not previously raised, offer persuasive arguments, extend the discussion and ask thoughtful questions.

How to prepare for in-class case study discussion:

First, read to understand the details of each case. Then make notes of key ideas, supporting arguments and recommendations presented in supporting readings. Then review the case for situations that support or refute ideas from the readings. Make notes of questions or issues that are unclear. Be ready to assume the role of any person or organization identified in the case and be prepared to state what has happened, what the options are, and what actions you would take next and why.

2. **Quizzes.** You will need to register for and activate your Connect account in the publisher website. The instructor will provide the URL for this course. There will be online quizzes in Connect for certain chapters.
3. **Final exam.** The take home exam will require the application of financial theory to management decision making. It will require the solution of quantitative problems and the submission of short answers and essays. It is an **individual** effort and submission, but it is open-book.
4. **Case analysis.** You must define the present problem, generate possible courses of action; evaluate strengths, weaknesses, opportunities, and threats to each course of action. Finally, you must make a decision or recommendation, including a plan of action that may lead to a satisfactory outcome, and justify your choices through references to theory and practice.