

Department of Business:

Course Outline for BUS 2339 (Old Code: BUS 2340)

Financial Management - 3 Credits/4 Hours a week

Pre-requisites & Co-requisites: MAT 1190 or Higher or Eligibility for MAT 1275 or Higher

Recommended Textbook(s) & Supplemental Material(s): Fundamentals of Financial Management by Brigham & Houston. Publisher: South-Western/Cengage.

Course Description/Overview: This course provides an in-depth analysis of the principles of financial management and their application to decision making in a firm. Topics include: financial statement and ratio analysis, Time-Value-Money (TVM) problems, capital budgeting principles and applications, cost of capital, stocks, bonds, alternative methods of financing business firms, and dividend policy.

Learning Objectives - Course Specific: Upon satisfactory completion of the course, students will gain a firm understanding and working knowledge of:

- Learn the advantages and disadvantages of organizing a business as a corporation.
- Understand the role of the financial manager in a corporation.
- To understand the types and purposes of financial institutions and markets.
- To understand the data found in financial statements.
- To understand how to analyze financial statements.
- To understand how capital markets reconcile preferences for current vs. future consumption
- To understand time-value-money problems.
- To understand and use the formulas associated with the present value of perpetuities, growing perpetuities, annuities, and growing annuities.
- To understand compounding, including continuous compounding.
- To understand the important difference between nominal and effective interest rates.
- To learn how to calculate the value of a bond.
- To explore the relationship between bond prices and interest rates.
- To learn the concept of term structure of interest rates and related concepts.
- To understand various theories that explains the term structure of interest rates.
- To explore the relationship between real and nominal rates of interest and their implications.

Learning Objectives - General Education:

- **Knowledge** of the roles of finance and accounting in business and in the economy at large.
- Developing quantitative thinking **skills** which can be applied to many disciplines.
- **Integrating** mathematical and financial knowledge to solve interdisciplinary problems.
- Work together in groups with shared responsibilities, developing trust and team **ethics**.



- Become comfortable with a wide range of **databases** (information sources) in order to apply theory to real-world situations.

Student Learning Outcomes – Course Specific:

- Mastery of the basics of financial decision making;
- Applications of finance in small business, investment, and within the corporation.

Student Learning Outcomes – General Education:

LEARNING OUTCOMES	ASSESSMENT METHODS
KNOWLEDGE: Develop an understanding of the key concepts and theory behind financial ideas, their role in society and implications for other disciplines.	Quizzes that both test an understanding of basic concepts and that require students to express their understanding by solving short problems.
SKILLS: Develop and apply the tools of financial management; to be able to critically analyze and discuss risk management issues; develop the ability to construct a complete plan of action/response to a business situation.	Student presentations of questions tied to topics covered in class and to timely relevant issues; students use MS-Excel to analyze problems and demonstrate results in class.
INTEGRATION: Apply the tools acquired in the course to be able to build upon an understanding of financial management across disciplines, both in the social sciences and other areas.	Research projects which require students to select and define an issue and examine possible solutions, drawing upon the tools of financial forecasting and risk management.
VALUES, ETHICS, AND RELATIONSHIPS: Work creatively with others: group problem solving; develop a respect for diverse viewpoints and apply the skills and concepts covered in the course to the analysis of related issues and concepts in other disciplines	Group assignments which encourage student discussion and sharing of ideas and perspectives.
INFORMATION LITERACIES: Gather, interpret, evaluate, and apply information discerningly from a variety of sources.	Research projects which require students to use online data-bases and information technology to analyze the issue and to draw conclusions.

CUNY’s Academic Integrity Policy: *Academic dishonesty is prohibited in The City University of New York.* Penalties for academic dishonesty include academic sanctions, such as failing or otherwise reduced grades, and/or disciplinary sanctions, including suspension, or expulsion.

Cheating is the unauthorized use or attempted use of material, information, notes, study aids, devices or communication during an academic exercise.

Plagiarism is the act of presenting another person’s ideas, research or writings as your own. The following are some examples of plagiarism, but by no means is it an exhaustive list:

Internet Plagiarism includes submitting downloaded term papers or parts of term papers, paraphrasing or copying information from the internet without citing the source, and “cutting and pasting” from various sources without proper attribution.



For a more detailed explanation, you can find the full Academic Integrity Policy here:

http://www.citytech.cuny.edu/aboutus/docs/policies/CUNY_ACADEMIC_INTEGRITY_6-2011.pdf

Grading Policy: Aplia-based quizzes and homework will count for 40% of course grade. There will be a midterm exam which will count for 25% of the final grade. The final exam will also count for 25% of your grade. The remaining 10% percentage points will be based on class participation, extra efforts, etc

Grading System:

All grades will be based in proportion to the following scale:

A	=	93 - 100
A-	=	90 - 92.9
B+	=	87 - 89.9
B	=	83 - 86.9
B-	=	80 - 82.9
C+	=	77 - 79.9
C	=	70 - 76.9
D	=	60 - 69.9
F	=	59.9 and below

Assessment Methods: Quizzes, homework's, midterm exam & final exam.

Course Technology: Aplia & Blackboard.

Class Schedule:

SECTION 1

FINANCE AND THE FINANCIAL MANAGER OVERVIEW:

We explain the role of corporations, financial managers and financial markets in the financial decision making process. The success of any firm in financial management is measured by the increase in the value of the firm. The financial decisions made by firms are generally geared towards this objective. Generally, there are two types of financial decisions that are made in a corporation: investment decisions and financing decisions. In order to make these decisions a financial manager not only uses input from the corporation, but also from financial markets.

SECTION 2

FINANCIAL MARKETS AND INSTITUTIONS OVERVIEW:

This section introduces modern financial markets and institutions. The concept of risk is introduced here. The importance of financial markets is emphasized.

SECTION 3

FINANCIAL STATEMENT ANALYSIS OVERVIEW:



This section studies the tools and techniques for analyzing financial statements for purposes of credit evaluation, forecasting, identifying merger candidates, enhancing the efficiency of decision making and diagnosing problem areas in the firm before crises develop. We learn to use financial ratios to conduct DuPont (i.e., decomposition) analysis, a methodology to discover sources of poor performance through interrelationships among a firm's financial ratios.

SECTION 4

PRESENT VALUES, THE OBJECTIVES OF THE FIRM, AND CORPORATE GOVERNANCE OVERVIEW:

This section introduces the concept of present value and shows why a firm should maximize the market value of the stockholders' stake in it. The authors explain the linkage between net present values and well-functioning financial markets using two-date, certain-world framework. The concept of risk is introduced here. The net present value rule and the rate of return rule are explained in great detail.

SECTION 5

HOW TO CALCULATE PRESENT VALUES OVERVIEW:

This section describes the mechanics of calculating present values of lump sum amounts, perpetuities, annuities, growing perpetuities, growing annuities and unequal cash flows. Other related topics like simple interest, frequent compounding, continuous compounding, and nominal and effective interest rates are discussed.

SECTION 6

VALUING BONDS OVERVIEW:

This section shows how present value concepts can be applied to the valuation of bonds. The concept of the term structure of interest rates is explained here. Various theories of the term structure of interest rates are explored. The relationship between real rate and nominal rate of interest is explored. The impact of inflation on the nominal interest rates is discussed.

SECTION 7

INTRODUCTION TO RISK, RETURN, AND THE OPPORTUNITY COST OF CAPITAL OVERVIEW:

This section provides a historical overview of return and risk for various securities like stocks, bonds, and T-bills. It lays the foundation for understanding risk and return, which is crucial for financial decision-making. It provides a method for estimating the opportunity cost of capital using historical data. It shows how to calculate the expected return and the standard deviation of returns for a portfolio. Finally, the concept of beta as a measure of risk is introduced in this section.

SECTION 8

RISK AND RETURN OVERVIEW:

This is a very important section as it deals with portfolio theory and the capital asset pricing model. This is a difficult section and students find it hard to understand the concepts fully. The concepts of efficient portfolios and the riskfree asset are explained clearly. It concentrates on the Markowitz portfolio selection model and the capital asset pricing model (CAPM), and builds on the previous section.

SECTION 9

THE VALUE OF COMMON STOCKS OVERVIEW:

This section shows how present value concepts can be applied to the valuation of common stocks. It provides a detailed explanation of the constant dividend growth model. It also explores the relationship between stock price, earnings per share and growth opportunity.

SECTION 10

CAPITAL BUDGETING AND RISK OVERVIEW:

The authors discuss how modern theories about risk and return, discussed in previous sections, are applied to capital budgeting decisions. The main focus is on the estimation of beta, company and divisional cost of capital, and project cost of capital – including international projects. They show how to estimate the discount rate for risky



projects. The authors end the section with a discussion of the certainty equivalent method of calculating the present value of risky cash flows.

SECTION 11

PROJECT ANALYSIS OVERVIEW:

This section explains sensitivity analysis, breakeven analysis, simulation, real options and decision trees as a supplement to the NPV analysis. These analyses, called project analyses, provide additional insights into a capital budgeting project before making the final accept-reject decision. The final decision is always made using the NPV analysis. This section explains the capital investment process generally followed by firms.

SECTION 12

PAYOUT POLICY OVERVIEW:

This section starts by describing different types of cash payouts by U.S. companies. There are two ways in which a firm can distribute cash to the shareholders—dividend and stock repurchase. The information content in dividends and share repurchases is explained in detail.