

Credit Hours: 3

Contact Hours: This is a 3-credit course, offered in accelerated format. This means that 16 weeks of material is covered in 8 weeks. The exact number of hours per week that you can expect to spend on each course will vary based upon the weekly coursework, as well as your study style and preferences. You should plan to spend 14-20 hours per week in each course reading material, interacting on the discussion boards, writing papers, completing projects, and doing research.

Faculty Information: Faculty contact information and office hours can be found on the faculty profile page.

COURSE DESCRIPTION AND OUTCOMES

Course Description:

A study of the financial aspects of businesses, including the costs of capital, fund acquisition sources, time value of money, efficient management of assets, and investment decisions. Particular emphasis is on determining the optimal capital structure between utilization of debt and equity financing. Recommended Prior Course: None

Course Overview:

In this course, students will master the fundamental principles of finance. Various topics include financial institutions and markets that serve as intermediaries between suppliers and demanders of funds; financial statements and analysis; the importance of estimating cash flows; the time value of money used as a tool in the measurement of shareholder wealth; measurement of risk and reward or return; valuations of bonds and stocks; evaluating long-term capital projects; the cost of capital; capital structure and dividend policy.

The goal of this course is to facilitate students in becoming proficient in the applications of financial techniques, tools and models using real world examples. Students will develop an understanding of how the various topics in finance are applied in corporate managerial decision-making.

Course Learning Outcomes:

1. Demonstrate an understanding of financial statements and ratio analysis.
2. Describe managerial aspects of financial decision making to maximize shareholder's wealth and analyze ethical issues faced by corporations.
3. Apply the concepts of the time value of money and its implication for making financial decisions.
4. Analyze the process for best sources and uses of organizational funds.
5. Evaluate investment alternatives for capital expenditures and understand the concept of the cost of capital and how the cost of capital is used to evaluate capital expenditures.
6. Understand challenges faced by multinational corporations due to differences in foreign culture, standards, political environment, and other factors.
7. Analyze valuation of financial securities (corporate bond, preferred stock, and common stock) and understand the basic types of dividend policies.

PARTICIPATION & ATTENDANCE

Prompt and consistent attendance in your online courses is essential for your success at CSU-Global Campus. Failure to verify your attendance within the first 7 days of this course may result in your withdrawal. If for some reason you would like to drop a course, please contact your advisor.

Online classes have deadlines, assignments, and participation requirements just like on-campus classes. Budget your time carefully and keep an open line of communication with your instructor. If you are having technical problems, problems with your assignments, or other problems that are impeding your progress, let your instructor know as soon as possible.

COURSE MATERIALS

Required:

Gitman, L. & Zutter, C. (2014). *Principles of managerial finance, Brief (7th ed.)*. Boston, MA: Prentice Hall. ISBN: 9780133546408

Recommended:

All suggested readings are listed within the modules and can be found through the CSU-G library.

NOTE: *All non-textbook required readings and materials necessary to complete assignments, discussions, and/or supplemental or required exercises are provided within the course itself. Please read through each course module carefully.*

COURSE SCHEDULE

Due Dates

The Academic Week at CSU-Global begins on Monday and ends the following Sunday.

- **Discussion Boards:** The original post must be completed by Thursday at 11:59 p.m. MT and peer responses posted by Sunday at 11:59 p.m. MT. Late posts may not be awarded points.
- **Opening Exercises:** Take the Opening Exercise before reading each week's content to see which areas you will need to focus on. You may take these exercises as many times as you need. The Opening Exercises will not affect your final grade.
- **Check Your Understanding (CYU) Exercises:** There are check your understanding questions at the end of each module. CYUs do not affect your grade.
- **Mastery Exercises:** Students may access and retake Mastery Exercises through the last day of class until they achieve the scores they desire.
- **Critical Thinking:** Assignments are due Sunday at 11:59 p.m. MT.
- **Live Classroom:** Although participation is not required, Live Classroom sessions are held during Week 3 and Weeks 6. There are two total sessions.

WEEKLY READING AND ASSIGNMENT DETAILS

Module 1 Financial Management in the Corporate Environment

Required Readings

Chapter 1 & 2 in *Principles of Managerial Finance*.

Dittmar, A., & Duchin, Ran. (2016). Looking in the rearview mirror the effect of managers' professional experience on corporate financial policy. *The Review of Financial Studies*, 29(3), 565-602. Retrieved from https://csuglobal-primo.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=TN_gbv86708877X&context=PC&vid=01COLSU_GLOBAL&search_scope=Everything&tab=default_tab&lang=en_US.

Recommended Readings

Auerbach, A. J. (2018). Measuring the effects of corporate tax cuts. *The Journal of Economic Perspectives*, 32(4), 97-120. Retrieved from https://csuglobal-primo.hosted.exlibrisgroup.com/primo-explore/fulldisplay?docid=TN_proquest2127909108&context=PC&vid=01COLSU_GLOBAL&search_scope=Everything&tab=default_tab&lang=en_US.

Discussion (25 points)

Discuss and evaluate the statement "Maximizing shareholder wealth should be the goal of all financial managers, regardless of the effect on the quality of the product, customer service, and employee and supplier relations." by explaining why you do or don't agree with this statement and providing at least 3 points supporting your argument.

When responding to your peers propose a counter argument to their discussion using at least 2 counter points. Be sure to post an initial, substantive response by Thursday at 11:59 p.m. MST and respond to 2 or more peers with substantive responses by Sunday at 11:59 p.m. MST. A substantive initial post answers the question presented completely and/or asks a thoughtful question pertaining to the topic. It should be a minimum of 150-250 words. Substantive peer responses ask a thoughtful question pertaining to the topic and/or answers a question (in detail) posted by another student or the instructor and are a minimum of 100 words per response.

Mastery Exercise (10 points)

Module 2 Financial Statement Analysis for Managers

Required Readings

Chapter 3 in *Principles of Managerial Finance*.

Recommended Readings

Drake, M., Quinn, P., & Thornock, J. (2017). Who uses financial statements? A demographic analysis of financial statement downloads from EDGAR. *Accounting Horizons*, 31(3), 55-68. Retrieved from <http://web.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/detail/detail?vid=0&sid=331117f6-cbd0-487f-8d8b-d28662f4245e%40pdc-v-sessmgr01&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#AN=124558275&db=bth>.

Chang, K., Chichernea, D., & Hassabelnaby, H. (2014). On the DuPont analysis in the healthcare industry . *Journal of Accounting and Public Policy*, 33(1), 83-103. Retrieved from <https://www-sciencedirect-com.csuglobal.idm.oclc.org/science/article/pii/S0278425413000896>.

Discussion (25 points)

Below are some key financial ratios for Amazon and Walmart, two competitors in the retail market, over a three year period. Pick one of the financial ratios, complete a time-series and cross sectional analysis.

	Amazon		
	12-2017	12-2016	12-2015
Days in Inventory	36.59	37.41	39.78
Receivables Turnover	16.54	18.42	17.78
Asset Turnover	1.66	1.83	1.78
Current Ratio	1.04	1.04	1.08
Debt/Equity	1.37	0.79	1.06
Return on Equity	12.91%	14.52%	4.94%
Interest Coverage	5.49	9.04	4.42
Profit Margin	1.71%	1.74%	0.56%
	Walmart		
	01-2018	01-2017	01-2016
Days in Inventory	42.44	44.21	45.30
Receivables Turnover	87.40	84.80	77.75
Asset Turnover	2.48	2.44	2.39
Current Ratio	0.76	0.86	0.93
Debt/Equity	0.47	0.54	0.55
Return on Equity	12.67%	17.23%	18.15%
Interest Coverage	7.49	9.66	9.49
Profit Margin	1.97%	2.81%	3.05%

When responding to a peers, make at least 2 points about the results of their analysis.

Be sure to post an initial, substantive response by Thursday at 11:59 p.m. MST and respond to 2 or more peers with substantive responses by Sunday at 11:59 p.m. MST. A substantive initial post answers the question presented completely and/or asks a thoughtful question pertaining to the topic. It should be a minimum of 150-250 words. Substantive peer responses ask a thoughtful question pertaining to the topic and/or answers a question (in detail) posted by another student or the instructor and are a minimum of 100 words per response.

Critical Thinking (95 points)

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

Option #1: Ratio Analysis and Interpretation

Using the attached financial statements for Best Buy Co., Inc. complete the financial statement analysis and ratio analysis by answering the questions below.

- a. Calculate average collection period, total asset turnover, inventory turnover, and days in inventory.
- b. Assess the activity of the firm, using your calculations in part a, over the four year period.
- c. Calculate the gross profit margin, operating margin, and net profit margin.
- d. Assess the profitability of the firm, using your calculations in part c, over the four year period.

Requirements:

Submit your paper in a Word document, showing all of your calculations (attach Excel File if necessary).

Use terms, evidence, and concepts from class readings.

Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements (Links to an external site.)Links to an external site..

The exercise should be 3-4 pages (not including title or reference pages), double spaced, follow the CSU-Global Guide to Writing and APA Requirements policy, and include a minimum of four (4) sources. the Module 2 Critical Thinking Rubric for full details on how you will be graded on this assignment.

Option #2: Financial Statement Analysis Problems

Using the attached financial statements for Best Buy Co., Inc. complete the financial statement analysis and ratio analysis by answering the questions below.

- a. Calculate the return on assets (ROA) for Best Buy Co., Inc. using the DuPont System of Analysis over the past four years.
- b. Discuss the overall ROA result, along with each of the components.
- c. Calculate the return on equity (ROE) for Best Buy Co., Inc. using the Modified DuPont System of Analysis over the past four years.
- d. Discuss the overall ROE result, along with each of the components.

e. Provide a summary of your findings over the four years.

Requirements:

Submit your paper in a Word document, showing all of your calculations.

Use terms, evidence, and concepts from class readings.

Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements (Links to an external site.)Links to an external site..

The exercise should be 3-4 pages (not including title or reference pages), double spaced, follow the CSU-Global Guide to Writing and APA Requirements policy, and include a minimum of four (4) sources. the Module 2 Critical Thinking Rubric for full details on how you will be graded on this assignment.

Mastery Exercise (10 points)

Module 3 Financial Planning and Cash Flow

Required Readings

Chapter 4 in *Principles of Managerial Finance*.

Recommended Readings

Epstein, M., & Yuthas, K. (2017). Cash Flow Training and Improved Microfinance Outcomes. *Journal of International Development*, 29(1), 106-116. Retrieved from <http://web.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/detail/detail?vid=0&sid=e4a145cd-171d-40ff-9bb7-fa8bc99dd3fc%40sessionmgr103&bdata=JnNpdGU9ZWhvc3QtGjI2ZQ%3d%3d#AN=120669286&db=bth>.

Discussion (25 points)

Discuss an assumption made when compiling a cash budget or pro forma financial statements. Be sure to include how that assumption may be calculated incorrectly and the effect it may have on the firm. When responding to your peers discuss at least one safeguard that could be used to avoid incorrect calculation and and additional effect incorrect calculations may have or a method you could use to remediate the effect.

Be sure to post an initial, substantive response by Thursday at 11:59 p.m. MST and respond to 2 or more peers with substantive responses by Sunday at 11:59 p.m. MST. A substantive initial post answers the question presented completely and/or asks a thoughtful question pertaining to the topic. It should be a minimum of 150-250 words. Substantive peer responses ask a thoughtful question pertaining to the topic and/or answers a question (in detail) posted by another student or the instructor and are a minimum of 100 words per response.

Live Classroom (0 points) The live classroom is an excellent time to communicate with your instructor and ask questions about the portfolio project. There will be a live classroom in week 3.

Portfolio Milestone (50 points)

This milestone will feed into your portfolio project. Choose only one option to complete. The option you choose here will carry throughout the rest of the course. In module 8 you will find the necessary financial statements need to complete the assignment. If you select option 1 then you will utilize Portfolio Project Option 1 Financial Information. The same is true for option 2.

Option #1 Corporate Finance Application

Ratio Analysis

Attached are the financial statements for Smith Company, Inc. Use the financial statements to calculate the attached ratios. Write a couple sentences interpreting the ratio.

- Calculate and interpret the following debt ratios: debt ratio, debt-equity ratio, and times interest earned.
- Calculate and interpret the following profitability ratios: operating profit margin, net profit margin, return on assets, and return on equity.

Option #2: Personal Finance Application

Part A: Ratio Analysis (Week 3 Milestone)

Attached are the financial statements for Smith Company, Inc. Use the financial statements to answer the questions below

- Calculate and interpret the return on assets using the Dupont Method for the four years of data.
- Calculate and interpret the return on equity using the Modified Dupont Method all four years of data.

Information for calculating the ROA and ROE using the Dupont Method for three competitors to Smith Company, Inc. is also provided below.

Format Table

(2018)	Competitor 1	Competitor 2	Competitor 3
Net Profit Margin	0.082	0.11	0.03
Total Asset Turnover	0.88	0.9	0.55
ROA	0.07216	0.099	0.0165
FLM	3.3	2.5	5.5
ROE	0.238128	0.2475	0.09075

Mastery Exercise (10 points)

Module 4 The Time and Value of Money

Required Readings

Chapter 5 & 8 in *Principles of Managerial Finance*.

Recommended Readings

Dhar, J., & Sinha, R. P. (2016). Risk, return and market timing: A conditional performance benchmarking model. *IUP Journal Of Financial Risk Management*, 13(2), 7-20. Retrieved from https://search-proquest-com.csuglobal.idm.oclc.org/docview/1810854408?rfr_id=info%3Axri%2Fsid%3Aprimo.

Discussion (25 points)

A wealthy philanthropist has heard about your financial skill and wants to give you a monetary gift to see how you would handle the money before choosing whether to have you manage more of their portfolio. Would you rather have \$1,000 today or \$5,000 in 6 months? What would you do with the money to demonstrate to the investor why you should be the one to handle their money? Explain the reason behind your strategy. When responding to your peers, argue the counter point to their decision. Explain why you would suggest they choose differently and support your argument with at least two points.

Be sure to post an initial, substantive response by Thursday at 11:59 p.m. MST and respond to 2 or more peers with substantive responses by Sunday at 11:59 p.m. MST. A substantive initial post answers the question presented completely and/or asks a thoughtful question pertaining to the topic. It should be a minimum of 150-250 words. Substantive peer responses ask a thoughtful question pertaining to the topic and/or answers a question (in detail) posted by another student or the instructor and are a minimum of 100 words per response.

Critical Thinking (95 points)

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

Option #1: Time Value of Money Personal Finance Application

Your friend Sue has asked you to help her out as she is developing her financial plan. Help her come up with a plan for her finances and how she can set herself up for financial success!

She has an after tax income of \$48,000 and budgets \$30,000 for necessary expenses. This leaves \$18,000 to spend on debt and savings annually. (Assume all annuity payments are in the form of ordinary annuities.)

Part A: Debt

Sue has a current balance of \$20,000 on her credit card. She has a minimum monthly payment of \$500 and an APR of 17.25% (divide by 12 to get the monthly rate). How many months will it take Sue to pay off her credit card debt?

Suppose Sue would like to purchase a new car. She believes she can spend \$550 a month on a car. She has been approved for a 4.50% loan (divide by 12 for monthly rate) for 36 months. What is the maximum amount she can spend on a car as not to exceed her \$550 a month budget?

Part B: Savings

Sue would like to save up for a down payment on a home she hopes to purchase in 5 years. If she wishes to have \$20,000 saved up at the end of five years and can earn 3.5% annually in her savings account. If she would like to make equal annual deposits, what amount will her deposits need to be in order to reach her goal?

Sue received \$20,000 as an inheritance from her uncle. He stipulated that she save this money for her 2 children's college education. She would like to have \$50,000 saved up in 10 years. What annual interest must

she earn in order to reach this goal (she will make no additional deposits to this account)?

Part C: Offering Advice

Calculate the total annual amount of debt and savings payments Sue has planned in the scenarios above.

If she has any of her \$18,000 remaining after her credit card, auto loan, and savings are made offer advise on how this should be divided (make more than the minimum payments or make additional deposits to savings).

Be sure to offer reasons on why she should choose to follow your advice rather than spend the cash.

Submit your 3 to 4 page paper in a Word document, showing all of your calculations (attach Excel File if necessary) with a minimum of four references (at least 2 scholarly/peer reviewed).

Use terms, evidence, and concepts from class readings.

Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements. Links to an external site.

Option #2: Time Value of Money Corporate Finance Application

Rhonda owns a small chain of ice cream stores. You have been hired as a consultant to help with the role of financial manager. She asks you for advice on the following three issues.

Part A: New Equipment

Rhonda is debating about buying a new ice cream machine for one of her stores. The current machine is valued at \$10,000 this year and will generate \$2,500 of profit for the store. The value of the machine at the end of the year will be \$8,250. Her other option is to purchase a new piece of equipment for \$15,000. The new equipment will generate \$4,000 in profit and will be valued at \$12,500. Calculate the holding period return for both assets. Rhonda also has the option of purchasing a new espresso maker that will allow her to expand her offerings at one location. She has the savings to purchase the equipment, but would lose the 4.5% annual interest that the savings generates. She expects the espresso machine to generate profits of \$3,000 each year over the next 5 years. After five years she could sell the machine for \$4,000. What is the present value of the machine to her?

Part B: New Location

Rhonda has found a location for the next store she plans to open. The store front will require \$30,000 in renovations before it is ready to open. She would like the initial investment to be paid off in 5 years. Assuming a discount rate of 4.5%, what will her annual profits for the store need to be if she wishes to recover the \$30,000 in 5 years (assuming equal profits each year)?

What if the discount rate increased to 7.75%? What would her annual profits need to be to recover the \$30,000 in 5 years?

Part C: Offering Advice

Be sure to answer each of the questions below, while providing an explanation to Rhonda for your advice.

Based on the holding period returns calculated in Part A.1 which option should Rhonda choose?

If she can purchase the espresso machine in Part A.2 for \$20,000, should she?

If Rhonda expects profits from the new location in Part B to be \$7,250 annually, should she open the new

location? First, if the discount rate is 4.5%? Then, if the discount rate is 7.75%?

Submit your 3 to 4 page paper in a Word document, showing all of your calculations (attach Excel File if necessary) with a minimum of four references (at least 2 scholarly/peer reviewed).

Use terms, evidence, and concepts from class readings.

Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements. Links to an external site.

Mastery Exercise (10 points)

Module 5 Stock and Bond Valuation

Required Readings

Chapter 6 and 7 in *Principles of Managerial Finance*.

Recommended Readings

Cai, K., & Heiwai, L. (2015). Stock price reactions to private placements of convertible debt. *Journal Of Accounting & Finance (2158-3625)*, 15(8), 40-47. Retrieved from <http://web.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/detail/detail?vid=0&sid=b725c2b1-71f3-4a50-9054-3d0fb8eec572%40sessionmgr103&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#AN=115753148&db=bth>.

Schall, L. D. (2015). Valuation of an equity interest. *Review Of Pacific Basin Financial Markets & Policies*, 18(4), 1. Retrieved from <http://web.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/detail/detail?vid=0&sid=79521ffc-ed34-4aad-b344-42127de33554%40pdc-v-sessmgr01&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#AN=112212069&db=bth>.

Discussion (25 points)

Suppose you are the owner of a small woodworking business that is privately incorporated. You currently own 100% of the business (equity valued at \$100,000), with no long term debt. You are looking to purchase a new piece of equipment costing \$10,000 that will require funds that you do not have available. How would you choose to finance the equipment? Explain the reasoning behind your decision. When responding to your peers make a counter argument to their reasoning and support it with at least 2 points.

Be sure to post an initial, substantive response by Thursday at 11:59 p.m. MST and respond to 2 or more peers with substantive responses by Sunday at 11:59 p.m. MST. A substantive initial post answers the question presented completely and/or asks a thoughtful question pertaining to the topic. It should be a minimum of 150-250 words. Substantive peer responses ask a thoughtful question pertaining to the topic and/or answers a question (in detail) posted by another student or the instructor and are a minimum of 100 words per response.

Portfolio Milestone (50 points)

This milestone will feed into your portfolio project. Select the same option here that you selected in module 3 to complete. In module 8 you will find the necessary financial statements need to complete the assignment. If you select option 1 then you will utilize Portfolio Project Option 1 Financial Information. The same is true for option 2.

Option #1 Corporate Finance Application

Require Return for Capital Funding

Suppose that Smith Company is considering a new project. They are trying to determine the required rate of return for their debt and equity holders. See the information below:

A 7.5% percent annual coupon bond with 20 years to maturity, selling for 104 percent of par. The bonds make semiannual payments. What is the before tax cost of debt? If the tax rate is 40%, what is the after-tax cost of debt?

The firm's beta is 1.2. The risk-free rate is 4.0% and the expected market return is 9%. What is the cost of equity using CAPM?

Option #2 Personal Finance Application

Stock Valuation

- Use the information provided to calculate the required rate of return on four stocks. Use both CAPM and the Dividend Discount Model. The market return is expected to be 8.5% and the risk-free rate is 2.0%.

	Smith Company, Inc.	Competitor 1	Competitor 2	Competitor 3
Beta	1.4	1.7	1.2	0.9
Dividend	\$2.00	\$3.25	\$2.00	\$1.25
Price	\$26.00	\$33.00	\$45.00	\$20.00
Growth	3.5%	3.5%	5.5%	1.5%

Critical Thinking (85 points)

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

Option #1: Stock or Bond: The Company Perspective

Bonds are a liability (debt) for a company, stock is equity and therefore, a form of capital. Using the information and terminology in this module and research you complete on your own, determine the pros and cons for a company for issuing bonds and stocks. Assess the following components:

Advantages

Disadvantages

Potential for Earnings

Risk

Access to funds

Tax implications

Requirements:

Submit your 3 to 4 page paper in a Word document. Use terms, and concepts from class readings and your own research through the CSU-G library.

Cite at least 4 references with at least 2 being scholarly/peer reviewed articles.

Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements.

Review the Module 5 Critical Thinking Rubric for full details on how you will be graded on this assignment.

Option #2: Stock or Bond: The Investor Perspective

Investors who buy stock (equity) are owners in a company, investors who buy bonds (debt) are creditors of a company. Using the information and terminology in this module and research you complete on your own, determine the pros and cons for an investor to buy bonds and stocks. Assess the following components:

Advantages

Disadvantages

Potential for Earnings

Risk

Access to funds

Tax implications

Requirements:

Submit your 3 to 4 page paper in a Word document. Use terms, and concepts from class readings and your own research through the CSU-G library.

Cite at least 4 references with at least 2 being scholarly/peer reviewed articles.

Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements (Links to an external site.)Links to an external site..

Review the Module 5 Critical Thinking Rubric for full details on how you will be graded on this assignment.

Mastery Exercise (10 points)

Module 6 Capital Budgeting

Required Readings

Chapter 10 & 11 in *Principles of Managerial Finance*.

Recommended Readings

Tuner, J. A. (2016). Net operating working capital, capital budgeting, and cash budgets: A teaching example. *American Journal of Business Education*, 9(1), 15-22. Retrieved from https://search-proquest-com.csuglobal.idm.oclc.org/docview/1765601523?rfr_id=info%3Axri%2Fsid%3Aprimo.

Discussion (25 points)

Suppose you are a financial manager and you have the following information on two projects:

	Project Alpha	Project Beta
NPV	\$34,670	\$1,500
IRR (required rate of return is 10%)	12.4%	10.6%
Payback Period	6 years	2 years

- If the projects are mutually exclusive, is there a clear best option to which project should be undertaken? Why or why not?
- Which option is the financial manager likely to choose? Why?
- Under what circumstances would the other project be undertaken?

When responding to your peers, identify any additional considerations for the option they selected as the best option, identify at least one additional circumstance in which the other project may be undertaken, and identify any considerations with the IRR methodology compared to the NPV methodology.

Be sure to post an initial, substantive response by Thursday at 11:59 p.m. MST and respond to 2 or more peers with substantive responses by Sunday at 11:59 p.m. MST. A substantive initial post answers the question presented completely and/or asks a thoughtful question pertaining to the topic. It should be a minimum of 150-250 words. Substantive peer responses ask a thoughtful question pertaining to the topic and/or answers a question (in detail) posted by another student or the instructor and are a minimum of 100 words per response.

Live Classroom (0 points) The live classroom is an excellent time to communicate with your instructor and ask questions about the portfolio project. There will be a live classroom in week 5.

Critical Thinking (95 points)

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

Option #1: Capital Rationing

Table with Cash Flows for 5 projects.

	Project A	Project B	Project C	Project D	Project E
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Initial Investment	-\$100,000	-\$25,000	-\$40,000	-\$10,000	-\$150,000
Year 1	\$50,000	\$15,000	\$20,000	\$7,000	\$100,000
Year 2	\$40,000	\$10,000	\$15,000	\$4,000	\$25,000
Year 3	\$20,000	\$5,000	\$5,000	\$2,000	\$10,000
Year 4	\$10,000	\$1,000	\$5,000	\$1,000	\$10,000
Year 5		\$1,000			\$10,000
Year 6		\$1,000			\$10,000

1. Calculate the IRR for each of the projects presented. Rank the projects based on their IRR.
2. Graph the projects on an Investment Opportunity Schedule (interest rate on the vertical axis and initial investment on the horizontal). Suppose the firm has a capital rationing amount of \$170,000 and a required rate of return of 10%.
3. Which projects should the firm implement based on your analysis using the IRR approach above? Write an email to your CFO explaining your rationale proving the choices based on the considerations of shareholder value and the maximum investment budget.

Requirements

Submit your 3 to 4 page paper in a Word document, showing all of your calculations (attach Excel File if necessary) with a minimum of four references.

Use terms, evidence, and concepts from class readings.

Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements.

Option #2: Capital Budgeting Analysis

Suppose you are the financial manager of a firm considering the following five projects.

	Project A	Project B	Project C	Project D	Project E
Initial Investment	-\$10,000	-\$15,000	-\$14,000	-\$6,000	-\$1,500

Year 1	\$5,000	\$5,000	\$6,000	\$4,000	\$1,000
Year 2	\$4,000	\$5,000	\$4,000	\$2,000	\$250
Year 3	\$2,000	\$5,000	\$3,500	\$2,000	\$100
Year 4	\$1,000	\$5,000	\$2,500	\$2,000	\$100
Year 5		\$5,000	\$2,000		\$100
Year 6			\$2,000		\$100

1. Calculate the Payback Period for each project.
2. Calculate the NPV for each project, assuming a discount rate of 11%.
3. Calculate the IRR for each project.
4. Which projects should the firm implement based on your analysis If the projects are mutually exclusive? What if they are independent? Write an email to your CFO explaining your rationale proving the choices based on the considerations of shareholder value. Assume there is no capital constraint and any desired projects can be funded.

Requirements

Submit your 3 to 4 page paper in a Word document, showing all of your calculations (attach Excel File if necessary) with a minimum of four references.

Use terms, evidence, and concepts from class readings.

Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements.

Mastery Exercise (10 points)

Module 7 The Cost of Capital and Capital Structure

Required Readings

Chapter 9 & 12 in *Principles of Managerial Finance*.

Mangena, M., Li, J., & Tauringana, V. (2016). Disentangling the effects of corporate disclosure on the cost of equity capital. *Journal Of Accounting, Auditing & Finance*, 31(1), 3-27. Retrieved from need link <http://web.a.ebscohost.com.csuglobal.idm.oclc.org/ehost/detail/detail?vid=0&sid=2325763b-2d77-4df9-aef1-7ba35e8bf9d3%40sessionmgr4006&bdata=JnNpdGU9ZWWhvc3QtbGl2ZQ%3d%3d#AN=111782181&db=bth>.

Recommended Readings

Campbell, J. L., Dhaliwal, D. S., & Schwartz, W. C. (2012). Financing constraints and the cost of capital: Evidence from the funding of corporate pension plans. *Review Of Financial Studies*, 25(3), 868-912. Retrieved from <http://web.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/detail/detail?vid=0&sid=2d26e04b-2096-43de-9c68-0691db8dd260%40sessionmgr104&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#AN=72440407&db=bth>.

Discussion (25 points)

Suppose that as a financial manager you have collected the following information on your company.

Before-tax cost of debt	6.5%
Tax rate	40%
Total long term debt	\$400,000
Cost of preferred stock	7.25%
Total preferred stock	\$50,000
Cost of common stock	11%
Total common stock	\$500,000
Finance Utilized	\$850,000

The firm is considering undertaking a project that costs \$250,000 with an expected return of 13.5%. Not having enough existing capital, how would you recommend going about obtaining the additional funds? Use the current WACC in your analysis. Discuss how the current WACC will change based on the type of financing chosen.

When responding to your peers, provide a scenario that would allow the company to undertake the project and make the resulting WACC more favorable.

Be sure to post an initial, substantive response by Thursday at 11:59 p.m. MST and respond to 2 or more peers with substantive responses by Sunday at 11:59 p.m. MST. A substantive initial post answers the question presented completely and/or asks a thoughtful question pertaining to the topic. It should be a minimum of 150-250 words. Substantive peer responses ask a thoughtful question pertaining to the topic and/or answers a question (in detail) posted by another student or the instructor and are a minimum of 100 words per response.

Mastery Exercise (10 points)

Module 8 Dividend Policy

Required Readings

Chapter 13 in *Principles of Managerial Finance*.

Li, O., Liu, H., Ni, C., & Ye, K. (2017). Individual investors' dividend taxes and corporate payout policies. *Journal Of Financial & Quantitative Analysis*, 53(3), 963-990. Retrieved from <http://web.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/detail/detail?vid=0&sid=725cc85d-436d-4212-a7f0-ec6dfc75eb73%40sessionmgr103&bdata=JnNpdGU9ZWlhvc3QtbGl2ZQ%3d%3d#AN=123607733&db=bth>.

Recommended Readings

Suryanto, T. (2016). Dividend policy, information technology, accounting reporting to investor reaction and fraud prevention. *International Journal Of Economic Perspectives*, 10(1), 138-150. Retrieved from https://search-proquest-com.csuglobal.idm.oclc.org/docview/1854232275?rfr_id=info%3Axri%2Fsid%3Aprimo.

Discussion (25 points)

Assume that you are on the board of directors for a start-up firm. The firm is expecting small profits and possible losses, but significant growth over the next 10 years. They have asked your opinion on a dividend policy for the firm. Provide your opinion on a dividend policy along with reasoning using terminology discussed in this module. When responding to your peers, select a consideration they may not have thought about pertaining to the dividend policy and explain how it might affect the policy.

Be sure to post an initial, substantive response by Thursday at 11:59 p.m. MST and respond to 2 or more peers with substantive responses by Sunday at 11:59 p.m. MST. A substantive initial post answers the question presented completely and/or asks a thoughtful question pertaining to the topic. It should be a minimum of 150-250 words. Substantive peer responses ask a thoughtful question pertaining to the topic and/or answers a question (in detail) posted by another student or the instructor and are a minimum of 100 words per response.

Mastery Exercise (10 points)

Portfolio Project (250 points)

For your final project you will create a presentation, continuing with the option you selected in the module 3 portfolio milestone assignment. You have already completed Part A and B through your portfolio milestones. Each part of the assignment depicted below must be represented with at least one slide and must include a minimum of 500 words per slide in the notes section. Identify your portfolio project choice in the title of your submission.

Option #1: Corporate Finance Application

Part A: Ratio Analysis (Week 3 Milestone)

Attached are the financial statements for Smith Company, Inc. Use the financial statements to calculate the attached ratios. Write a couple sentences interpreting the ratio.

- Calculate and interpret the following debt ratios: debt ratio, debt-equity ratio, and times interest earned.

- Calculate and interpret the following profitability ratios: operating profit margin, net profit margin, return on assets, and return on equity.

Part B: Require Return for Capital Funding (Week 5 Milestone)

Suppose that Smith Company is considering a new project. They are trying to determine the required rate of return for their debt and equity holders. See the information below:

- A 7.5% percent annual coupon bond with 20 years to maturity, selling for 104 percent of par. The bonds make semiannual payments. What is the before tax cost of debt? If the tax rate is 40%, what is the after-tax cost of debt?
- The firm's beta is 1.2. The risk-free rate is 4.0% and the expected market return is 9%. What is the cost of equity using CAPM?

Part C: WACC and Capital Budgeting

- Calculate the firm's WACC (using 2018 numbers). (You will need to collect information on the long-term debt and common stock equity from the Balance Sheet. The firm has no preferred stock).
- Use the WACC to calculate NPV and evaluate IRR for proposed capital budgeting projects. Assume the projects are mutually exclusive and the firm has the money available to fund the project.

Part D: Analysis

- You will must offer suggests to a senior financial manager and CFO on the proposed projects. Be sure to include a discussion of external funding and where it should come from if necessary and which project the firm should undertake. Prepare a presentation, a minimum of one slide for each part, summarizing your results. You should submit either an Excel or Word document showing your work for each part.

See rubric for specific graded criteria. Be sure to cite sources if applicable. The CSU-Global Library is a good place to find your sources. Format your entire presentation according to CSU-Global Guide to Writing and APA Requirements.

Option #2: Personal Finance Application

Part A: Ratio Analysis (Week 3 Milestone)

Attached are the financial statements for Smith Company, Inc. Use the financial statements to answer the questions below

- Calculate and interpret the return on assets using the Dupont Method for the four years of data.
- Calculate and interpret the return on equity using the Modified Dupont Method all four years of data.

Information for calculating the ROA and ROE using the Dupont Method for three competitors to Smith Company, Inc. is also provided below. You will use this information in Part D.

(2018)	Competitor 1	Competitor 2	Competitor 3
Net Profit Margin	0.082	0.11	0.03
Total Asset Turnover	0.88	0.9	0.55
ROA	0.07216	0.099	0.0165
FLM	3.3	2.5	5.5
ROE	0.238128	0.2475	0.09075

Part B: Stock Valuation (Week 5 Milestone)

- Use the information provided to calculate the required rate of return on four stocks. Use both CAPM and the Dividend Discount Model. The market return is expected to be 8.5% and the risk-free rate is 2.0%.

	Smith Company, Inc.	Competitor 1	Competitor 2	Competitor 3
Beta	1.4	1.7	1.2	0.9
Dividend	\$2.00	\$3.25	\$2.00	\$1.25
Price	\$26.00	\$33.00	\$45.00	\$20.00
Growth	3.5%	3.5%	5.5%	1.5%

Part C: Dividend Policy

- Use the information provided to discuss the dividend policy of the four listed firms over the past four years.

		2018	2017	2016	2015
Smith Company, Inc.					
	Dividend	\$2.00	\$2.00	\$2.00	\$2.00

	Net Income	\$3,978,000	\$4,931,000	\$5,220,000	\$5,652,000
Competitor 1					
	Dividend	\$3.25	\$0.75	\$1.20	\$1.00
	Net Income	\$6,111,000	\$5,408,000	\$5,576,000	\$5,456,000
Competitor 2					
	Dividend	\$2.50	\$2.50	\$2.00	\$1.00
	Net Income	\$5,547,000	\$5,160,000	\$4,823,000	\$4,637,000
Competitor 3					
	Dividend	\$1.25	\$0.55	\$0.55	\$0.55
	Net Income	\$4,543,000	\$3,786,000	\$3,711,000	\$3,657,000

Part D: Analysis

- You are working as a financial analyst. Your manager has asked you to prepare a presentation on whether Smith Company, Inc. is a good investment opportunity. Prepare a presentation, a minimum of one slide for each part, summarizing your results. You should submit either an Excel or Word document showing your work for each part

See rubric for specific graded criteria. Be sure to cite sources if applicable. The CSU-Global Library is a good place to find your sources. Format your entire presentation according to CSU-Global Guide to Writing and APA Requirements.

Grading Scale	
A	95.0 – 100
A-	90.0 – 94.9
B+	86.7 – 89.9
B	83.3 – 86.6
B-	80.0 – 83.2
C+	75.0 – 79.9
C	70.0 – 74.9
D	60.0 – 69.9
F	59.9 or below

COURSE POLICIES

Course Grading

Discussions	20%	200 Points
Opening Exercises	0%	0 Points
Live Classroom Participation	0%	0 Points

Mastery Exercises	8%	80 Points
Critical Thinking Assignments	37%	370 Points
Portfolio Milestones	10%	100 Points
Portfolio Project	25%	250 Points

IN-CLASSROOM POLICIES

For information on late work and incomplete grade policies, please refer to our **In-Classroom Student Policies and Guidelines** or the Academic Catalog for comprehensive documentation of CSU-Global institutional policies.

Academic Integrity

Students must assume responsibility for maintaining honesty in all work submitted for credit and in any other work designated by the instructor of the course. Academic dishonesty includes cheating, fabrication, facilitating academic dishonesty, plagiarism, reusing /repurposing your own work (see CSU-Global Guide to Writing & APA for percentage of repurposed work that can be used in an assignment), unauthorized possession of academic materials, and unauthorized collaboration. The CSU-Global Library provides information on how students can avoid plagiarism by understanding what it is and how to use the Library and internet resources.

Citing Sources with APA Style

All students are expected to follow the CSU-Global Guide to Writing & APA when citing in APA (based on the most recent APA style manual) for all assignments. A link to this guide should also be provided within most assignment descriptions in your course.

Disability Services Statement

CSU-Global is committed to providing reasonable accommodations for all persons with disabilities. Any student with a documented disability requesting academic accommodations should contact the Disability Resource Coordinator at 720-279-0650 and/or email ada@CSUGlobal.edu for additional information to coordinate reasonable accommodations for students with documented disabilities.

Netiquette

Respect the diversity of opinions among the instructor and classmates and engage with them in a courteous, respectful, and professional manner. All posts and classroom communication must be conducted in accordance with the student code of conduct. Think before you push the Send button. Did you say just what you meant? How will the person on the other end read the words?

Maintain an environment free of harassment, stalking, threats, abuse, insults, or humiliation toward the instructor and classmates. This includes, but is not limited to, demeaning written or oral comments of an ethnic, religious, age, disability, sexist (or sexual orientation), or racist nature; and the unwanted sexual advances or intimidations by email, or on discussion boards and other postings within or connected to the online classroom. If you have concerns about something that has been said, please let your instructor know.