

## ECBA 303: Business Finance for Managers

Prerequisite(s): None

Credits: 3

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### I. Course Description

This course introduces the foundations of financial management. The course covers financial markets, performance measurement, capital budgeting, and management.

### II. Course Objectives

1. Define key terms in financial management.
2. Examine basic principles of financial management.
3. Describe organizational forms and their financial obligations.
4. Analyze a company's financial statements.
5. Solve financial problems using formulas.
6. Discuss issues related to capital budgeting.
7. Use basic tools of capital structure management.

### III. Course Textbooks and Reading Materials

#### ***Principles of Managerial Finance Brief – 7th Edition***

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Hardcopy ISBN 13: 978-0-13-354640-8

Digital ISBN-13: 978-0-13-354733-7

### IV. Weekly Information

#### Module One – Week 1

#### **Introduction to Managerial Finance**

#### **Objectives**

At the end of this Module, you should be able to:

- 1.1 Define finance and the managerial finance function.
- 1.2 Describe the legal forms of business organization.
- 1.3 Describe the goal of the firm, and explain why maximizing the value of the firm is an appropriate goal for a business.
- 1.4 Describe how the managerial finance function is related to economics and accounting.
- 1.5 Identify the primary activities of the financial manager.

- 1.6 Describe the nature of the principal-agent relationship between the owners and managers of a corporation, and explain how various corporate governance mechanisms attempt to manage agency problems.
- 1.7 Understand the role that financial institutions play in management finance.
- 1.8 Contrast the functions of financial institutions and financial markets.
- 1.9 Describe the differences between the capital markets and the money markets.
- 1.10 Explain the root causes and subsequent effects of the 2008 financial crisis and recession.
- 1.11 Understand the major regulations and regulatory bodies that affect financial institutions and markets.
- 1.12 Discuss business taxes and their importance in financial decisions.

## **Reading**

Part 1: Introduction to Managerial Finance, p 1  
Chapter 1: The Role of Managerial Finance, pp 2-27  
Chapter 2: The Financial Market Environment, pp 28-50

## **Deliverables**

Introductory Discussion (20 points)  
Discussion (40 points)  
Assignment (75 points)  
Quiz (25 points)

## **Module Two – Week 2**

### **Financial Tools**

## **Objectives**

At the end of this Module, you should be able to:

- 2.1 Review the contents of the stockholders' report and the procedures for consolidating international financial statements.
- 2.2 Understand who uses financial ratios and how.
- 2.3 Use ratios to analyze a firm's liquidity and activity.
- 2.4 Use a summary of financial ratios and the DuPont system of analysis to perform a complete ratio analysis.
- 2.5 Discuss the firm's statement of cash flows, operating cash flow, and free cash flow.
- 2.6 Understand the financial planning process, including long-term (strategic) financial plans and short-term (operating) financial plans.
- 2.7 Discuss the cash-planning process and the preparation, evaluation, and use of the cash budget.
- 2.8 Evaluate the simplified approaches to pro forma financial statement preparation and the common uses of pro forma statements.
- 2.9 Discuss the role of time value in finance, the use of computational tools, and the basic patterns of cash flow.
- 2.10 Understand the concepts of future value and present value, their calculation for single amounts, and the relationship between them.

- 2.11 Understand the effect that compounding interest more frequently than annually has on future value and on the effective annual rate of interest.

### **Reading**

Chapter 3: Financial Statement & Ratio Analysis, pp 52 – 108

Chapter 4: Cash Flow and Financial Planning, pp 109 – 152

Chapter 5: Time Value of Money, pp 153 - 210

### **Deliverables**

Discussion (40 points)

Assignment (75 points)

Quiz (25 points)

## **Module Three – Week 3**

### **Valuation of Securities**

#### **Objectives**

At the end of this Module, you should be able to:

- 3.1 Describe interest rate fundamentals, the term structure of interest rates, and risk premiums.
- 3.2 Discuss the general features, yields, prices, ratings, popular types, and international issues of corporate bonds.
- 3.3 Understand the key inputs and basic model used in the bond valuation process.
- 3.4 Apply the basic valuation model to bonds, and describe the impact of required return and time to maturity on bond values.
- 3.5 Explain yield to maturity (YTM).
- 3.6 Differentiate between debt and equity.
- 3.7 Discuss the features of both common and preferred stock.
- 3.8 Describe the process of issuing common stock, including venture capital, going public, and the investment banker.
- 3.9 Explain the relationships among financial decisions, return, risk, and the firm's value.

### **Reading**

Chapter 6: Interest Rates and Bond Valuation, pp 212 - 253

Chapter 7: Stock Valuation, pp 254 - 292

### **Deliverables**

Discussion (40 points)

Assignment (75 points)

Quiz (25 points)

## **Module Four – Week 4**

### **Risk and the Required Rate of Return**

## Objectives

At the end of this Module, you should be able to:

- 4.1 Understand the meaning and fundamentals of risk, return, and risk preferences.
- 4.2 Describe procedures for assessing and measuring the risk of a single asset.
- 4.3 Discuss the measurement of return and standard deviation for a portfolio and the concept of correlation.
- 4.4 Understand the risk and return characteristics of a portfolio in terms of correlation and diversification and the impact of international assets on a portfolio.
- 4.5 Review the two types of risk and the derivation and role of beta in measuring the relevant risk of both a security and a portfolio.
- 4.6 Explain the capital asset pricing model (CAPM), its relationship to the security market line (SML), and the major forces causing shifts in the SML.
- 4.7 Understand the basic concept and sources of capital associated with the cost of capital.
- 4.8 Explain what is meant by the marginal cost of capital.
- 4.9 Determine the cost of long-term debt, and explain why the after-tax cost of debt is the relevant cost of debt.
- 4.10 Determine the cost of preferred stock.
- 4.11 Calculate the cost of common stock equity, and convert it into the cost of retained earnings and the cost of new issues of common stock.
- 4.12 Calculate the weighted average cost of capital (WACC), and discuss alternative weighting schemes.

## Reading

Chapter 8: Risk and Return, pp 294 - 339

Chapter 9: The Cost of Capital, pp 340 - 366

## Deliverables

Discussion (40 points)

Assignment (75 points)

Quiz (25 points)

## Module Five – Week 5

### Long-Term Investment Decisions

## Objectives

At the end of this Module, you should be able to:

- 5.1 Understand the key elements of the capital budgeting process.
- 5.2 Calculate, interpret, and evaluate the payback period.
- 5.3 Calculate, interpret, and evaluate the net present value (NPV) and the economic value added (EVA).
- 5.4 Use net present value profiles to compare NPV and IRR techniques.
- 5.5 Discuss NPV and IRR in terms of conflicting rankings and the theoretical and practical strengths of each approach.

- 5.6 Discuss relevant cash flows and the three major cash flow components.
- 5.7 Discuss expansion versus replacement decisions, sunk costs, and opportunity costs.
- 5.8 Calculate the initial investment, operating cash flows, and terminal cash flow associated with a proposed capital expenditure.
- 5.9 Understand the importance of recognizing risk in the analysis of capital budgeting projects, and discuss risk and cash flows, scenario analysis, and simulation as behavioral approaches for dealing with risk.

### **Reading**

Chapter 10: Capital Budgeting Techniques, pp 368 - 403

Chapter 11: Capital Budgeting Cash Flows and Risk Refinements, pp 404 - 463

### **Deliverables**

Discussion (40 points)

Assignment (75 points)

Quiz (25 points)

## **Module Six - Week 6**

### **Long-Term Financial Decisions**

#### **Objectives**

At the end of this Module, you should be able to:

- 6.1 Discuss leverage, capital structure, breakeven analysis, the operating breakeven point, and the effect of changing costs on the breakeven point.
- 6.2 Understand operating, financial, and total leverage and the relationships among them.
- 6.3 Describe the types of capital, external assessment of capital structure, the capital structure of non-U.S. firms, and capital structure theory.
- 6.4 Explain the optimal capital structure using a graphical view of the firm's cost-of-capital functions and a zero-growth valuation model.
- 6.5 Discuss the EBIT-EPS approach to capital structure.
- 6.6 Review the return and risk of alternative capital structures, their linkage to market value, and other important considerations related to capital structure.
- 6.7 Understand cash payout procedures, their tax treatment, and the role of dividend reinvestment plans.
- 6.8 Describe the residual theory of dividends and the key arguments with regard to dividend irrelevance and relevance.
- 6.9 Discuss the key factors involved in establishing a dividend policy.
- 6.10 Review and evaluate the three basic types of dividend policies.
- 6.11 Evaluate stock dividends from accounting, shareholder, and company points of view.
- 6.12 Explain stock splits and the firm's motivation for undertaking them.

### **Reading**

Chapter 12: Leverage and Capital Structure, pp 464 - 515

Chapter 13: Payout Policy, pp 516 - 548

**Deliverables**

Discussion (40 points)

Assignment (75 points)

Quiz (25 points)

**Module Seven – Week 7****Short Term Financial Decisions****Objectives**

At the end of this Module, you should be able to:

- 7.1 Understand working capital management, net working capital, and the related trade-off between profitability and risk.
- 7.2 Describe the cash conversion cycle, its funding requirements, and the key strategies for managing it.
- 7.3 Discuss inventory management: differing view, common techniques, and international concerns.
- 7.4 Explain the credit selection process and the quantitative procedure for evaluating changes in credit standards.
- 7.5 Review the procedures for quantitatively considering cash discount changes, other aspects of credit terms, and credit monitoring.
- 7.6 Understand the management of receipts and disbursements, including float, speeding up collections, slowing down payments, cash concentration, zero-balance accounts, and investing in marketable securities.
- 7.7 Review accounts payable, the key components of credit terms, and the procedures for analyzing those terms.
- 7.8 Understand the effects of stretching accounts payable on their cost and the use of accruals.
- 7.9 Describe interest rates and the basic types of unsecured bank sources and short-term loans.
- 7.10 Explain the characteristics of secured short-term loans and the use of accounts receivable as short-term-loan collateral.
- 7.11 Describe the various ways in which inventory can be used a short-term-loan collateral.

**Reading**

Chapter 14: Working Capital and Current Assets Management, pp 550 - 590

Chapter 15: Current Liabilities Management, pp 591 - 621

**Deliverables**

Discussion (40 points)

Assignment (75 points)

Quiz (25 points)

**V. Course Information and Grading**

## **Course Requirements (Weekly)**

Each Module will be based on the inclusion and grading of the following segments: Discussion Boards, Assignments and Quizzes.

### **Class Discussions**

Successful online learning requires active and meaningful participation in the Discussion Board Forum. Critical thinking, appropriate use of judgment and professional comments are required for all responses. Simple agreement or disagreement with a fellow student does not constitute a quality response. Student opinions are important but must be supported by relevant data obtained in the literature or text.

1. One initial discussion board post is due by the fourth day (Thursday @ 11:59 pm) of each weekly module and two response posts are due by the last day (Sunday @ 11:59 pm) of each weekly module.
  - a. Undergraduate Word Count Requirements:
    - i. Initial post must be >200 words
    - ii. Responses must be >150 words
  - b. Graduate Word Count Requirements:
    - i. Initial post must be >250 words
    - ii. Responses must be >200 words
2. Participation – Students must meet initial and response post deadlines to be eligible for full points. Late initial posts may be accepted with a 33% reduction in the overall score assessed for each day late. Two response posts are required. If only one is received, then the overall score will be reduced by 25%. If no response posts are received, then the overall score will be reduced by 50%.
3. Students should be respectful and write in a proper and professional manner.

Please refer to the Discussion Board Rubric located within course syllabus for specific requirements and guidance on delivering a substantial discussion.

### **Late and Make-up Assignments**

All deliverables are due by 11:59 PM on the due dates indicated. When substantive emergencies occur, acceptance of late submissions is left to the discretion of the course instructor.

Assignments that are submitted after the due date with prior written approval (text or email) from the instructor may receive the following deductions:

1. Late assignments are subject to a deduction of 10% of the available points for each day late.
2. Assignments submitted later than one week after due date will not be accepted and will receive a zero (0).
3. No work may be submitted after the last day of the course.
4. See Class Discussions for late discussion post policy.

### **Written Work**

- All graded assignments must be typewritten, as designated by the professor of record for the course.
- All referenced materials must be presented according to the Publication Manual of the American Psychological Association (APA), based on the most current published edition. (current, 7<sup>th</sup> edition) (Except for English courses that specify use of MLA format.)
- All required written assignments are due on the last night of each lesson week at 11:59pm EST. This information is included in the course scheduler and calendar of every course.
- All written and graded assignments are considered the property of the College of Adult and Professional Studies and should be returned to the appropriate professor of record for the related course.
- SafeAssign may be used to check for plagiarism.

### **Grading Scale and Assigned Letter Grades**

Charleston Southern Online Undergraduate classes follow the following numerical and letter grading scale. Grades will be posted by the Sunday night following the closing of the Module. No grades will be given to students over the phone.

A = 90-100

B+ = 87-89

B = 80-86

C+ = 77-79

C = 70-76

D = 60-69

F = <60