

Grande Prairie Regional College
Department of Arts, Commerce and Education
Course Outline
FN 3700 (3)
Introduction to Corporate Financial Management
Winter 2004

Instructor: Ken Riley
Office: C307
Office hours: Tues. & Thurs. 1:00 – 2:30 PM or by appointment
Telephone: (w) 539-2017; (h) 532-7849
E-mail: kriley@gprc.ab.ca

Time and Place: Tuesday & Thursday 10:00 – 11:20 AM
B202

Course Description:

The course provides a general corporate framework for financial decision-making. It examines types of securities and basic methods of valuation. Valuation and selection of physical and intellectual assets. Operation of asset markets and market efficiency. Risk measures and risk reduction methods. Financing policy, including choices between debt and equity financing.

Prerequisites:

- MA 1130, MS 3010 and AC 3110.

Content Description:

The course provides an introduction to corporate financial management. The following topics will be covered:

- Financial Statements
- Valuation of Future Cash Flows
- Capital Budgeting
- Risk, Return and Capital Market Theory
- Cost of Capital and Long-Term Capital Structure
- Derivative Securities (Options)

The learning objectives for this course are as follows:

- ❑ To understand and apply the concepts of corporate finance at an introductory level.
- ❑ To develop your analytic abilities.

- ❑ To develop the ability to work and participate constructively in a group setting
- ❑ To develop the ability to write clearly and concisely.

Course Materials:

Ross, Westerfield, Jordan and Roberts. *Fundamentals of Corporate Finance*, 4th Canadian Edition. Irwin, 2002, Toronto, Ont.

Study Guide to accompany above text.

Regular reading of the Globe and Mail, the Financial Post, and other financial papers is encouraged.

Evaluation:

The grading system employed in this course will be:

Assignments/cases (4)	30%
Participation.....	10%
Midterm Examination	30%
Final Examination	30%

Assignments/Cases:

Four hand-in assignments/cases will be assigned from other material during the year. These are due at the beginning of class on the due date.

The assignments/cases will be done in a group. **NO ASSIGNMENTS/CASES WILL BE ACCEPTED IF COMPLETED INDIVIDUALLY.** At the end of the year, each member of the group will constructively evaluate himself/herself and the other members of the group.

Because of the importance of the proper use of English in business generally and in professional situations specifically, papers will be graded accordingly. Marks on assignments and the case will be given for content and for written presentation. Written presentation includes, but not limited to, concise writing, appropriate use of point form, appropriate use of formatting/headings. Marks also will be deducted for poor grammar, incorrect spelling, poor sentence construction etc. if it detracts from the quality of the paper.

Participation:

Each student is expected to come to class having read the material and completed some of the assignments. Marks will be based on the contribution made to the class by the student; note that both quantity and quality of the contribution will be assessed.

Midterm Examinations:

Midterm examination is scheduled during the week of Feb. 17th.

Final Examination:

A final examination will be held with time and place to be announced.

COURSE TIMELINES:

Week of:

- January 6:** General Introduction
Chapter 1 – Corporate Finance
- January 13:** Chapter 2 & 3 – Financial Statements
- January 20:** Chapter 5 & 6 – Discounted Cash Flow Analysis
Assignment #1 - Hand-in
- January 27:** Chapter 7 – Bond Valuation
- February 3:** Chapter 8 – Stock Valuation
- February 10:** **Mid-Term Exam**
Chapter 9 – Capital Budgeting
Assignment #2 - Hand-in
- February 17:** **Family Day**
Chapter 10 – Capital Budgeting
- February 24:** **Reading Week**
- March 3:** Chapter 10/11 – Project Analysis
- March 10:** Chapter 12 – Capital Markets
Assignment #3 - Hand-in
- March 17:** Chapter 13 – Return, Risk and Security Market Line
- March 24:** Chapter 14 – Cost of Capital
- March 31:** Chapter 16 – Capital Structure
- April 7:** Chapter 17 – Dividend Policy
- April 14:** Chapter 25 - Options
Assignment #4 - Hand-in
Review

Note: Dates are approximate and may vary slightly.

Suggested Problems

Solutions are on Reserve in the Library

Concept Review Questions 1.1, 1.2, 1.3, 1.10, 1.13

Concept Review Questions 2.1, 2.2, 3.1
Questions and Problems 2.29, 2.34

Questions and Problems 5.1, 5.2, 5.8, 5.9, 5.14, 5.17

Questions and Problems 6.2, 6.5, 6.12, 6.13, 6.19, 6.21, 6.23, 6.35, 6.46, 6.53, 6.57, 6.64,
6.71, 6.76

Questions and Problems 7.1, 7.3, 7.8, 7.21, 7.22, 7.24, 7A.3

Questions and Problems 8.4, 8.9, 8.15, 8.16, 8.19

Questions and Problems 9.7, 9.12, 9.14, 9.16, 9.17, 9.18

Questions and Problems 10.7, 10.8, 10.9, 10.10, 10.11, 10.22

Questions and Problems 11.4, 11.17

Questions and Problems 12.1, 12.2, 12.3, 12.4, 12.9, 12.10, 12.11

Questions and Problems 13.4, 13.7, 13.10, 13.13, 13.17, 13.25, 13.26

Questions and Problems 14.1, 14.4, 14.7, 14.9, 14.16, 14.22

Questions and Problems 16.1, 16.4, 16.8, 16.16, 16.17, 16.22

Questions and Problems 17.4, 17.7, 17.8, 17.9, 17.12

Questions and Problems 25.2, 25.3, 25.4, 25.5, 25.6, 25.7