

COURSE OUTLINE

Basic Business Finance
Course Title

BA 213
Dept. & Course No.

I. COURSE DESCRIPTION

This course covers the finance function in business; procurement and utilization of funds, costs and problems associated with getting funds, added profits gained through their use, and the organization necessary to carry out the finance function in business.

II. SEMESTER CREDIT: 3

III. CONTACT HOURS PER WEEK:

| | | |
|----------|----------|----------|
| <u>3</u> | <u>0</u> | <u>3</u> |
| Lecture | Lab | Total |

IV. PREREQUISITE: BA 212 (Intermediate Accounting I)

V. STUDENT LEARNING OUTCOMES

VI. COURSE CONTENT

Upon completion of this course, the student will be able, with 65% accuracy, to:

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| 1. Identify the goals of financial management. | A. Goals of Financial Management 1. Valuation Approach 2. Maximizing shareholder's wealth 3. Social responsibility and ethical behavior. |
| 2. Identify basic financial statements, their uses and their limitations. | B. Financial statements and their uses 1. Income statements 2. Balance sheet 3. Statement of cash flows 4. Income tax considerations |
| 3. Compute basic financial ratios and explain their importance and uses. | C. Financial Ratios 1. Profitability Ratios 2. Asset Utilization Ratios 3. Liquidity Ratios 4. Debt Utilization Ratios 5. Trend Analysis |
| 4. Explain the impact of inflation on financial analysis. | D. Impact of Inflation 1. Inflation 2. Disinflation |
| 5. Construct pro forma statements. | E. Pro Forma Statements 1. Pro forma income statement 2. Cash budget 3. Pro forma balance sheet |

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| 6. Compute operating and financial leverage, and describe their limitations. | F. Operating and Financial Leverage <ol style="list-style-type: none"> 1. Break-even analysis 2. Degree of operating leverage 3. Degree of financial leverage 4. Impact of financial leverage on earnings 5. Degree of combined leverage |
| 7. Explain the basic of working capital management. | G. Working Capital Management <ol style="list-style-type: none"> 1. Nature of asset growth 2. Process of matching sales and production 3. Financial aspect of working capital management |
| 8. Identify the reasons for current asset management. | H. Current Asset Management <ol style="list-style-type: none"> 1. Cash management 2. Collections and disbursements 3. Marketable securities 4. Management of accounts receivable 5. Inventory management |
| 9. Identify sources of short-term financing. | I. Short-term Financing <ol style="list-style-type: none"> 1. Trade credit 2. Cash discount 3. Bank credit 4. Commercial paper 5. Inventory financing |
| 10. Calculate time value of money. | J. Time Value of Money <ol style="list-style-type: none"> 1. Future value of single amount 2. Present value of single amount 3. Future value of annuity 4. Present value of annuity |
| 11. Explain valuation concepts and calculate rates of return. | K. Valuation and Rates of Return <ol style="list-style-type: none"> 1. Valuation of bonds 2. Concept of yield to maturity 3. Valuation of preferred and common stock 4. Required rate of return 5. Price-earnings ratio |
| 12. Explain and calculate the cost of capital. | L. Cost of Capital <ol style="list-style-type: none"> 1. Cost of debt 2. Cost of preferred stock 3. Cost of common equity |

VII. MATERIAL AND EQUIPMENT

- A. Calculator (student furnished)
- B. Computer & Projector
- C. Routine classroom supplies

VIII. TEXT AND REFERENCE

- A. Required Text:
Block, S. B. and Hirt, G. A. Foundations of Financial Management (11th edition).
Chicago, IL: McGraw-Hill (Irwin), 2005.
- B. Supplementary Reference:
Block, S. B. and Hirt, G. A. Ready Notes for use with "Foundations of Financial Management" (11th edition), Chicago, IL: McGraw-Hill (Irwin), 2005.

IX. METHOD OF INSTRUCTION

- A. Lecture
- B. Problem Solving & Discussion
- C. Demonstration
- D. Films/Videos
- E. Guest Speaker

X. METHOD OF EVALUATION

- A. The computation of final grade includes the following:

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|-------------------------------------|------------|
| Participation | 5% |
| Quizzes | 10% |
| Tests | 25% |
| Mid-Term Exam | 15% |
| Final Exam | 20% |
| Research Project/Presentation | <u>25%</u> |
| Total: 100% | |

- B. The transmutation of percent to letter grade is as follows:

| | | | | |
|----|---|-----|---|---|
| 90 | - | 100 | = | A |
| 80 | - | 89 | = | B |
| 70 | - | 79 | = | C |
| 65 | - | 69 | = | D |
| 0 | - | 64 | = | F |

**COURSE LEVEL ACHIEVEMENT
FORM B
(USED FOR ALL PROGRAM COURSES EXCEPT SHOP COURSES)
BA 213 BASIC BUSINESS FINANCE**

Student's Name: _____ **Semester/Year:** _____

Instructor's Name (Print): _____

Directions: This record is intended to serve as a method of noting student achievement of the competencies in BA 213 (Basic Business Finance). Please rate the student on the following competencies (circle one number for each competency). The numerical ratings of 5, 4, 3, 2, and 1 are not intended to represent the grading system of A, B, C, D, and F. The descriptions associated with each of the numbers focus on the level of student performance for each of the competencies listed below.

Rating Scale: 5 - Excellent
4 - Above average
3 - Average
2 - Below average
1 - Unacceptable

Competency # 1.

| Numerical Value | Analyze the goals and functions of financial management and the role of financial market. |
|-----------------|--|
| 5 | <ol style="list-style-type: none"> 1. Explain the evolution of the field of finance. 2. Identify the goals and functions of financial management. 3. Analyze how the field of finance integrates concepts from economics, accounting, and a number of other areas. 4. Explain how the relationship of risk to return is a central focus of finance. 5. Analyze the structure and functions of the financial markets. <ul style="list-style-type: none"> ▪ Complete all the tasks with 90% or above accuracy. |
| 4 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 80% - 89% accuracy. |
| 3 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 70% - 79% accuracy. |
| 2 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 65% - 69% accuracy. |
| 1 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 64% or below accuracy. |

Competency # 2.

| Numerical Value | Understand the fundamental accounting concepts, financial analysis and forecasting, operating and financial leverage, and the relationships among the primary financial statements. |
|-----------------|---|
| 5 | <ol style="list-style-type: none">1. Explain how income statement measures profitability and discuss financial variables that affect the price earning ratio.2. Prepare income statement and balance sheet and explain their relationship.3. Describe and illustrate the reporting of cash flows, including cash flows from operating activities, investing activities, and financing activities.4. Describe and illustrate the application of ratio analysis in assessing company's performance.5. Explain the nature and importance of financial forecasting.6. Describe and illustrate how pro forma income statement, cash budget, and pro forma balance sheet are used in forecasting.7. Describe and illustrate how operating and financial leverage are used in business financing. <ul style="list-style-type: none">▪ Complete all the tasks with 90% or above accuracy. |
| 4 | <ul style="list-style-type: none">▪ Complete all the tasks with 80% - 89% accuracy. |
| 3 | <ul style="list-style-type: none">▪ Complete all the tasks with 70% - 79% accuracy. |
| 2 | <ul style="list-style-type: none">▪ Complete all the tasks with 65% - 69% accuracy. |
| 1 | <ul style="list-style-type: none">▪ Complete all the tasks with 64% or below accuracy. |

Competency # 3.

| Numerical Value | Examine financial aspects of working capital management and various methods for managing cash, marketable securities, receivables, inventory, and other sources of short-term funds. |
|-----------------|---|
| 5 | <ol style="list-style-type: none">1. Explain how working capital management effects financing and controlling of firm's current assets.2. Examine the significance to working capital management of matching sales and production.3. Analyze current asset management involvement in managing cash, marketable securities, accounts receivables, and inventory.4. Explain how cash management involves control over the receipt and payment of cash.5. Explain how management of marketable securities involves selecting between |

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| | <p>various short-term investments.</p> <p>6. Explain how accounts receivable and inventory management require credit and inventory level decisions to be made with an eye toward profitability.</p> <ul style="list-style-type: none"> ▪ Complete all the tasks with 90% or above accuracy. |
| 4 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 80% - 89% accuracy. |
| 3 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 70% - 79% accuracy. |
| 2 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 65% - 69% accuracy. |
| 1 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 64% or below accuracy. |

Competency # 4.

| Numerical Value | Calculate the time value of money, rates of return, and cost of capital. |
|-----------------|--|
| 5 | <ol style="list-style-type: none"> 1. Explain the importance of time value of money in capital-budgeting decisions. 2. Examine the basic terminology of "time value of money." 3. Determine how financial assets (bonds, preferred stock, and common stock) are valued and how investors establish the rates of return they demand. 4. Explain how firms determine its cost of capital. 5. Calculate time value of money. 6. Explain valuation concepts and calculate rates of return. 7. Explain and calculate the cost of capital. <ul style="list-style-type: none"> ▪ Complete all the tasks with 90% or above accuracy. |
| 4 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 80% - 89% accuracy. |
| 3 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 70% - 79% accuracy. |
| 2 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 65% - 69% accuracy. |
| 1 | <ul style="list-style-type: none"> ▪ Complete all the tasks with 64% or below accuracy. |

Competency # 5.

| Numerical Value | Understand the concept of a capital market, investment banking, long-term debt and lease financing, common and preferred stock financing, dividend policy and retained earnings. |
|-----------------|--|
| 5 | <ol style="list-style-type: none">1. Analyze and explain how capital markets are organized and integrated into the corporate and economic system.2. Explain the role of investment banking.3. Analyzing how long-term debt requires consideration of the collateral pledged, method of repayment, and other key factors.4. Analyze how long-term lease obligations have many characteristics similar to debt.5. Distinguish between common stock and preferred stock.6. Explain how common and preferred stock plays the role in financing corporate enterprise.7. Explain how dividend policy can provide information about where the firm is on its life cycle curve.8. Define retained earnings and prepare a statement of retained earnings. <ul style="list-style-type: none">▪ Complete all the tasks with 90% or above accuracy. |
| 4 | <ul style="list-style-type: none">▪ Complete all the tasks with 80% - 89% accuracy. |
| 3 | <ul style="list-style-type: none">▪ Complete all the tasks with 70% - 79% accuracy. |
| 2 | <ul style="list-style-type: none">▪ Complete all the tasks with 65% - 69% accuracy. |
| 1 | <ul style="list-style-type: none">▪ Complete all the tasks with 64% or below accuracy. |

I certify that the student has completed all the competencies in this course and has achieved ratings as shown in each respective competency.

Instructor's Signature

Date