



**School of Business & Creative Design**

Business & Business Administration Department

**Course Outline – Winter 2014**

**Course Code:** FIN 2203

**Course Title:** Financial Management II

*Prepared By:* Mark Magee

*Date:* June 2011

*Revised By:* Mark Magee

*Date:* December 2013

*Approved By:* Yvonne Clarke, Associate Dean

*Prerequisite:* FIN 1203

*Corequisite:* None

*Prerequisite for:* None

## 1. Course Description

*This course begins by reviewing the theories and principles of managerial finance learned in Financial Management I. It then introduces the student to the theories and principles of long-term financing decisions, long-term investment decisions and working capital management. The purpose of the course is to complete the introduction of the student to the theory and principles of managerial finance.*

*This course is recognized for credit with the Certified General Accountants Association of Ontario, leading to the designation C.G.A.*

## 2. General Education and Essential Employability Skills

**This course provides the following provincial Essential Employability Skills:**

- #1: Communication
- #2: Numeracy
- #3: Critical Thinking and Problem Solving
- #4: Information Management
- #5: Interpersonal
- #6: Personal

**Is this course approved as a General Education course?**

☒

**No**

☐

**Yes**

Students should refer to their program's restricted General Education courses for final determination.

## 3. Learning Outcomes

Upon successful completion of this course, the learner will be able to:

1. Understand the theories and principles of managerial finance learned in Financial Management I.
2. Calculate the cost of long-term debt, common equity and preferred equity and the weighted average cost of capital (WACC).
3. Demonstrate break-even analysis, leverage and the optimal capital structure.
4. Evaluate the use of derivatives and other financial instruments.
5. Discuss and evaluate corporate dividend policies.
6. Make decisions regarding capital budgeting expenditures using relevant cash flow items and capital budgeting techniques.
7. Explain lease financing and evaluate whether assets should be leased or purchased.

8. Understand the techniques and benefits of working capital management.

#### 4. Course Objectives

(The number in brackets at the end of each objective refers to the learning outcome from section 3.)

		<i>Learning Outcome Reference Number</i>
<b>Unit 1</b>		
1.1	Define managerial finance and the key activities of financial management.	1
1.2	Review and interpret the financial statements for a corporation and the basics of corporate taxation in Canada.	1
1.3	Analyze and interpret a company's financial statements using ratio and other forms of analysis.	1
1.4	Understand the financial planning process and the fundamentals associated with preparing budgets and pro forma income statements and balance sheets.	1
1.5	Understand the structure of financial markets and the key characteristics of financial instruments in the money and capital markets.	1
1.6	Understand the concepts of present and future value.	1
1.7	Review the concepts of risk and return and required rates of return.	1
1.8	Describe interest rate fundamentals and the factors that affect required rates of return.	1
1.9	Apply financial techniques to value financial instruments including debt, preferred equity and common equity.	1
<b>Unit 2</b>		
2.1	Calculate and explain the weighted average cost of capital (WACC) and discuss alternative weighting schemes.	2
2.2	Explain the marginal cost of capital (MCC) and how it can be used to make the firm's financing/investing decisions.	2
2.3	Understand break-even analysis and operating, financial and total leverage and the relationships among them.	3
2.4	Describe capital structure theory and the optimal capital structure.	3
2.5	Explain and calculate the values of hybrid securities and derivatives.	4

### Unit 3

- |     |   |   |
|-----|---|---|
| 3.1 | Discuss the key factors involved in formulating dividend policy.                                      | 5 |
| 3.2 | Understand the capital budgeting process.   | 6 |
| 3.3 | Apply and compare the different capital budgeting techniques to evaluate capital budgeting decisions. | 6 |

### Unit 4

- |     |  |   |
|-----|--|---|
| 4.1 | Describe and differentiate between operating and financial leases.   | 7 |
| 4.2 | Evaluate leases including the method used to calculate the not present value of leasing and how the variables affect the lease or purchase decision. | 7 |
| 4.3 | Discuss the management of current assets and the trade-off between profitability and risk.   | 8 |
| 4.4 | Understand the concepts and management of current liabilities.   | 8 |
| 4.5 | Describe the basic types of unsecured sources of short-term financing.   | 8 |

## 5. Resources and Supplies

### a. Required

#### Textbook:

Gitman, Lawrence J., Hennessey, Sean M.: Principles of Corporate Finance, Second Canadian Edition, Pearson Education Inc., Toronto, Ontario, 2008.

#### Other:

Various business sites on the internet as well as financial articles and information in newspapers and/or other published material.

Print credits and calculator (with exponential & reciprocal key)

### b. Supplemental

None

## 6. Methodology

This course will be taught on a lecture basis with heavy emphasis on problem solving using a wide variety of problems and cases. In addition, students will complete assignments based on the content of the course.

## 7. Student Evaluation

A grade of D is the passing grade for this course. Some programs, however, may require a higher grade to progress through or graduate from the program. Students should check the program requirements for their particular program.

The following elements will determine the student's final grade:

Test 1	10%
Test 2	20%
Test 3	20%
Final Examination (Comprehensive)	30%
Assignments (2, equally weighted)	20%
<b>Total</b>	<b>100%</b>

Tests: All tests and examinations will be written on the scheduled day at the arranged time. If, for extenuating circumstances (which in most cases will only be for documented medical related absences), you will be unable to write, you must contact the professor PRIOR to the test for consideration of alternate arrangements. In most cases, the make-up test will be written during exam week. If you cannot reach the professor, you must leave a message with the program secretary at ext. #2433. During testing time, NO electronic devices of any sort will be permitted unless previously discussed and/or approved by the professor.

Assignments: Assignments must be submitted by the specified due date. Assignments must consist of the student's own work. There will be NO additional and/or make-up assignments granted at any point during the course.

The round off mathematical principle will be used. Percentages are converted to letter grades and grade points as follows:

Mark (%)	Grade	Grade Point	Mark	Grade	Grade Point
94-100	A+	4.0	67-69	C+	2.3
87-93	A	3.7	63-66	C	2.0
80-86	A-	3.5	60-62	C-	1.7
77-79	B+	3.2	50-59	D	1.0
73-76	B	3.0	0-49	F	0.0
70-72	B-	2.7			

## 8. Academic Integrity

Lambton College is committed to high ethical standards in all academic activities within the College, including research, reporting and learning assessment (e.g. tests, lab reports, essays).

The cornerstone of academic integrity and professional reputation is principled conduct. All scholastic and academic activity must be free of all forms of academic dishonesty, including copying, plagiarism and cheating.

Lambton College will not tolerate any academic dishonesty, a position reflected in Lambton College policy. Students should make themselves familiar with the [Students Rights and Responsibilities Policy](#), located on the MyLambton website for details concerning academic dishonesty and the penalties for dishonesty and unethical conduct.

Questions regarding this policy, or requests for additional clarification, should be directed to the [Lambton College Centre for Academic Integrity](#)

## 9. Related Items

### ***Students with Disabilities***

If you are a student with a disability please identify your needs to the professor and/or the Accessibility Centre so that support services can be arranged for you. You can do this by making an appointment at the SSD, Room L103 ext.3427 or by arranging a personal interview with the professor to discuss your needs.

### ***Student Rights and Responsibility Policy***

*Acceptable behaviour in class is established by the instructor and is expected by all students. Any form of harassment or violence will not be tolerated. Action will be taken as outlined in Lambton College policy.*

*Cheating and plagiarism are serious academic offences subject to disciplinary action. It is the student's responsibility to be aware of the cheating policy as described in the Lambton College Student Rights and Responsibilities policy. For further information on all of these policies, links may be found on the Lambton College website.*

### ***Prior Learning Assessment Statement***

*This course is eligible for Prior Learning Assessment*

☒ **Yes**      ☐ **No**

*If yes has been selected, you may choose to contact the Counselling Department for advice on Prior Learning Assessment.*

### ***Date of Withdrawal without Academic Penalty***

*Please consult the Academic Regulations and Registrar's published dates.*

### ***Waiver of Responsibility***

*Every attempt has been made to ensure the accuracy of this information as of the date of publication. The content may be modified, without notice, as deemed appropriate by the College.*

*Note: It is the student's responsibility to retain course outlines for possible future use to support applications for transfer of credit to other educational institutions.*

