

NOVA COLLEGE-WIDE COURSE CONTENT SUMMARY
FIN 215 - FINANCIAL MANAGEMENT (3 CR.)

Course Description

Introduces basic financial management topics including statement analysis, working capital, capital budgeting, and long-term financing. Focuses on New Present Value and Internal Rate of Return techniques, lease vs. Buy analysis and Cost of Capital computations. Uses problems and cases to enhance skills in financial planning and decision making. Lecture 3 hours per week.

General Course Purpose

This course is designed as a one-semester course on the financial management function in business organizations. The purpose of the course is to familiarize the student with the types of decisions required of financial managers and with contemporary principles and techniques in financial decision making. It is a required course for the student in the Accounting and Business Management program. It may be chosen as business elective in other programs.

Course Prerequisite/Corequisite

A working knowledge of arithmetic, average skills in reading comprehension, and the ability to visualize and understand the basic operations of individual business activities in a free enterprise economic system. ACC 211 is strongly suggested before taking this course.

Course Objectives

Upon completion of the course, the student should be able to:

- Understand the role and place of the finance functions in the business organization
- Know the objectives of financial management in the business organization
- Evaluate the financial condition and financial performance of a firm by computing and interpreting key financial ratios derived from the firm's financial statement
- Understand the tradeoffs between risk and expected return
- Understand the concepts of operating leverage, financial leverage, and combined leverage
- Calculate the degree of operating leverage, financial leverage, and combined leverage
- Know how to study the interrelationships between a firm's sales and costs of various output levels by using breakeven analysis techniques
- Know how to project a firm's future financing needs by using the percent of sales method, trend analysis, linear regression, cash budgets, and proforma financial statement
- Recognize the relationships between types of assets and how they are financed.
- Familiarize him/herself with the concept of optimal capital structure
- Familiarize him/herself with principles and techniques of working capital management including cash management, management of marketable securities, accounts receivable management, inventory management, and sources of short-term financing
- Familiarize him/herself with capital budgeting techniques
- Understand how to assign a required rate of return to a capital investment
- Know how to evaluate investment proposals by using the payback method, the net present value method, and the internal rate of return methods
- Know the advantages and limitations of each method
- Know how to make compound interest and present value calculations to solve valuation problems including bond prices, common stock valuation, future value and present value of single sums, annuities, and uneven cash flows
- Familiarize him/herself with the sources of intermediate and long-term funds including the primary and secondary security markets
- Recognize the principal advantages and disadvantages of common stock, financing preferred stock financing, bond financing, and lease financing

- Know how to calculate a firm's cost of capital by weighing the cost of debt, preferred stock, and common equity
- Know how to use the internet in order to obtain financial information about business firms, specific industries, and securities markets

Major Topics To Be Covered

- A. The finance function and the goals of financial management
- B. Financial ratio analysis, analysis of risk and return, operating leverage, financial leverage, combined leverage, break even analysis
- C. Financial planning
 - 1. financial forecasting
 - 2. cash budgets
 - 3. proforma financial statements
- D. Sources of short-term funds
- E. Sources of long-term funds
- F. Ratio of short-term to long-term funds
- G. Term structure of interest rates
- H. Optimal capital structure
- I. Working Capital Management
 - 1. cash management
 - 2. marketable securities
 - 3. accounts receivable management
 - 4. inventory management
- J. Compound value and present value analysis
- K. Bond prices
- L. Common stock valuation
- M. Single sums
- N. Annuities
- O. Uneven cash flows
- P. Sinking funds
- Q. Amortization
- R. Determining the yield on an investment
- S. Capital budgeting
 - 1. payback method
 - 2. net present value method
 - 3. internal rate of return
 - 4. establishing required rates of return

- T. Sources of long-term funds
 - 1. bonds
 - 2. preferred stock
 - 3. common stock
 - 4. security markets
 - 5. leasing
- U. Cost of Capital
 - 1. weighted cost of capital
 - 2. relationship to capital structure
 - 3. written assignment including financial information downloaded from Internet

OPTIONAL TOPICS

- A. Analysis of finance cases
- B. Effect of fiscal and monetary policies and tax considerations
- C. Risk analysis
 - 1. project risk

- 2. portfolio risk
 - 3. Beta risk
- D. Dividend policy
- E. Convertible securities and warrants
- F. Business Combination
 - 1. mergers
 - 2. acquisitions
- G. International Financial Management
- H. Guest lecturer on current finance topic
- I. Term paper on current finance topic
- J. Computer applications of financial management techniques