

**BUSINESS FINANCE – BUS 332**  
**Fall 2007**  
**John Zietlow, D. B. A., CTP**  
**Mitchell Hall # 203 ▪ MWF 1:00-1:50 p.m.**

**TEXT:**

Gitman, Lawrence. (2006). **Principles of Managerial Finance Brief Fourth Edition**. Addison Wesley Longman, Boston. ISBN: 0-321-2670-5. Approximate Price: \$92 (new).  
The web-based study tool, FinanceWorks, is optional. If you buy a new book you will get the study tool (FinanceWorks) web access included (or, if you wish, you may buy the access code if you purchase a used textbook – go to <http://www.aw-bc.com/financeworks>).

**OTHER REQUIRED MATERIALS:**

**Financial calculator: *Hewlett Packard 10-BII***. Is available at [Wal-Mart.com](http://Wal-Mart.com) (\$27.98) with free delivery to your local Wal-Mart; alternatively, try **OfficeMax** (Open 8 a.m. - 9 p.m. M-F @ the Strip; \$34.99); or **Staples** ([staples.com](http://staples.com), ships in 2 business days, price \$35.99, or try in-store at 2981 Arlington Road, Akron, OH 44312, PH: 330-645-1397, open M-F 8:00am-9:00pm, Sat: 9:00am-9:00pm, Sun: 11:00am-6:00pm,).

Yes, you may use TI-83 instead, but classroom instruction will feature the HP.

**CATALOG DESCRIPTION:**

A study of methods of financing both small and large businesses through short-term and long-term financing; includes working capital management, corporation finance, and problems relative to financing different sizes of business. Prerequisites: Accounting 211, completion of data analysis general education requirement.

**I. PURPOSE**

This course is designed to assist the student in building a conceptual framework with which to make prudent financial decisions related to their jobs, personal financial planning, and church financial planning.

**II. OBJECTIVES**

A. General Behavioral Objectives

This course seeks to:

1. Introduce the student to the functional area of finance while integrating the global and multicultural perspective.
2. Assist the student in developing a conceptual framework upon which to base financial management decisions.
3. Assist the student to achieve a working knowledge of techniques for analyzing financial data, for purposes of managerial decision-making.
4. Provide an integration of one's faith with the finance function.

B. Specific Behavioral Objectives

As a result of the activities and study in this course, the student should be able to do the following:

1. Understand the goals and functions of the financial manager.
2. Understand the time value of money and the implications thereof to risk, rates of return, and value.
3. Analyze and control cash flow.

4. Utilize the basic tools of finance (e.g. horizontal analysis, vertical analysis, ratio analysis, and sources and uses of funds analysis) in analyzing a company to provide solutions for identified problems.
5. Implement capital budgeting techniques in making capital expenditure decisions.
6. Utilize the concept of cost of capital in making investment decisions.
7. Analyze sources available for personal and business organization financing.
8. Understand that the Christian financial manager's approach to his/her responsibilities will differ from that of the non-Christian manager.

### III. TOPICS TO BE COVERED

- A. An Overview of Financial Management
  1. Financial Management in the New Millennium
  2. Financial Staff's Responsibilities
  3. Alternative Forms of Business Organization
  4. Finance in the Organizational Structure of the Firm
  5. Goals of the Corporation
  6. Business Ethics
  7. Agency Relationships
  8. Managerial Actions to Maximize Shareholder Wealth
- B. Financial Statements, Cash flow, and Taxes
  1. Brief history of accounting and financial statements
  2. Financial Statements and Reports
  3. The Balance Sheet
  4. The Income statement
  5. Statement of Retained Earnings
  6. Financial Analysis on the Internet
  7. Analysts are Increasingly Relying on Cash Flow to Value Stocks
  8. Net Cash Flow
  9. Statement of Cash Flows
  10. Modifying Account Data for Managerial Decisions
  11. MVA and EVA
  12. The Federal Income Tax System
  13. Depreciation
- C. Analysis of Financial Statements
  1. Ratio Analysis
  2. Liquidity Ratios
  3. Asset management ratios
  4. Debt management ratios
  5. Profitability ratios
  6. Market value ratios
  7. International Accounting Differences
  8. Trend Analysis
  9. Tying the ratios together: The DuPont Chart and Formulas
  10. Comparative Ratios and "Benchmarking"
  11. Uses and limitations of Ratio Analysis
  12. Problems with ROE

13. Looking Beyond the Numbers
14. Financial analysis in the small firm
- D. Financial Planning and Forecasting
  1. Strategic Plans
  2. Operating Plans
  3. The Financial Plan
  4. Computerized Financial Planning Models
  5. Sales Forecasts
  6. Financial Statement Forecasting: The Percent of Sales Method
  7. The EFN or EFR Formula
  8. Forecasting Financial Requirements When the Balance Sheet Ratios Are Subject to Change
  9. Other Techniques for Forecasting Financial Statements
- E. The Financial Environment: Markets, Institutions, and Interest Rates
  1. The Financial Markets
  2. Financial Institutions
  3. The Stock Market
  4. Online Trading Systems
  5. The Cost of Money
  6. Interest Rate Levels
  7. The Determinants of Market Interest Rates
  8. The Term Structure of Interest Rates
  9. What Determines the Shape of the Yield Curve?
  10. Using the Yield Curve to Estimate Future Interest Rates
  11. Investing Overseas
  12. Measuring Country Risk
  13. Other Factors that Influence Interest Rate Levels
  14. Interest Rates and Business Decisions
- F. Risk and Rates of Return
  1. Investment Returns
  2. Stand-Alone Risk
  3. Risk in a Portfolio Context
  4. The Benefits of Diversifying Overseas
  5. The Relationship Between Risk and Rates of Return
  6. Estimating the Market Risk Premium
  7. Physical Assets versus Securities
  8. Some Concerns about Beta and the CAPM
  9. Volatility versus Risk
- G. Time Value of Money
  1. Time Lines
  2. Future Value
  3. Present Value
  4. Solving for Interest Rate and Time
  5. Future Value of an Annuity
  6. Present Value of an Annuity
  7. Perpetuities
  8. Uneven Cash Flow Streams
  9. Semiannual and Other Compounding Periods
  10. Using the Internet for Personal Financial Planning

11. Comparison of Different Types of Interest Rates
12. Fractional Time Periods
13. Amortized Loans
- H. Bonds and their Valuation
  1. Key Characteristics of Bonds
  2. Bond Valuation
  3. Bond Yields
  4. Bonds with Semiannual Coupons
  5. Assessing the Riskiness of a Bond
  6. Default Risk
  7. S&P Develops Criteria to Determine Bond Ratings for Issuing Firms
  8. Bond Markets
- I. Stocks and their Valuation
  1. Legal rights and privileges of common stockholders
  2. Types of Common Stock
  3. The Market for Common Stock
  4. Common Stock Valuation
  5. Constant Growth Stocks
  6. Expected Rate of Return on a Constant Growth Stock
  7. Valuing the Entire Corporation
  8. Evaluating Stocks that Don't Pay Dividends
  9. Stock Market Equilibrium
  10. Actual Stock Prices and Returns
  11. Investing in Emerging Markets
  12. Preferred Stock
- J. The Cost of Capital
  1. Logic of the Weighted Average Cost of Capital
  2. Cost of Debt,  $k_d$
  3. Cost of Preferred Stock,  $k_p$
  4. Cost of Retained Earnings,  $k_s$
  5. Cost of New Common Stock,  $k_e$
  6. Trends in Technology
  7. Composite, or Weighted Average, Cost of Capital, WACC
  8. Factors that Affect the Composite Cost of Capital
  9. Global Variations in the Cost of Capital
  10. Adjusting the Cost of Capital for Risk
  11. Estimating Project Risk
  12. Using the CAPM to Estimate the Risk –Adjusted Cost of Capital
  13. Techniques for Measuring Beta Risk
  14. Some Problem Areas in Cost of Capital
  15. The Cost of Equity Capital for Small Firms
- K. Basics of Capital Budgeting
  1. Importance of Capital Budgeting
  2. Generating Ideas of Capital Projects
  3. Project Classifications
  4. Similarities between Capital Budgeting and Security Valuation
  5. Capital Budgeting Decision Rules
  6. Comparison of the NPV and IRR Methods
  7. Conclusions on Capital Budgeting Methods

- 8. Capital Budgeting in the Small Firm
- L. Cash Flow Estimates and Risk Analysis
  - 1. Estimating cash flows
  - 2. Identifying relevant cash flows
  - 3. Evaluating Capital Budgeting Projects
  - 4. Introduction to Project Risk Analysis
- M. Capital Structure and Leverage
  - 1. Target Capital Structure
  - 2. Business and Financial risk
  - 3. Determining the Optimal Capital Structure

**IV. INSTRUCTIONAL PROCEDURES**

- A. Lectures
- B. Class Discussion
- C. Case Examples (Excel-based)
- D. Homework Assignments
- E. In-class exercises

**V. RESPONSIBILITIES OF THE STUDENT:**

- A. Read assigned materials
- B. Solve problems assigned as homework as well as assigned Excel worksheets
- C. Complete course project on DLB (ratio and SWOT analysis of actual company)

**VI. EVALUATION**

**A. Grading components and scale**

The various course assignments will count in the following percentages toward the final course grade:

|                             |              |                   |
|-----------------------------|--------------|-------------------|
| Examinations (4)            | 66.6%        | 400 points        |
| Course project              | 16.7%        | 100 points        |
| <u>Excel &amp; Homework</u> | <u>16.7%</u> | <u>100 points</u> |

→ **600** total points  
(Excel 20 each, HW 60)

Note: A good test prep approach is to use FinanceWorks software, which comes with new textbook or may be purchased separately if student buys used textbook. Or, use the paperback study guide on reserve in the library.

Grades will be based on the following scale:

| <u>Percentages:</u> | <u>Grade:</u> | <u>Minimum Points Required:</u> |
|---------------------|---------------|---------------------------------|
| 92-100              | A             | 552                             |
| 90-91               | A-            | 540                             |
| 87-89               | B+            | 522                             |
| 83-86               | B             | 498                             |
| 80-82               | B-            | 480                             |
| 77-79               | C+            | 462                             |
| 73-76               | C             | 438                             |
| 70-72               | C-            | 420                             |

|              |    |      |
|--------------|----|------|
| 67-69        | D+ | 402  |
| 63-66        | D  | 378  |
| 60-62        | D- | 360  |
| Less than 60 | F  | ---- |

B. **Grade release policy**

Grades will not be released to any person other than the student, nor will grades be released over any communication device. Furthermore, grades will not be shared with students except when assignments and exams are returned to the class. Thank you for understanding the professor's dilemma.

C. **Examinations 66.7%**: Three examinations will be given during the semester, and a final exam at the end of the term, and these must be taken at the announced times.

Examinations not taken at designated times will receive a score of 0 unless the student pre-notifies the instructor of the reason for absence and gets instructor approval for that miss.

If student gets instructor pre-approval, the following policy is implemented: No make-up exam will be given; rather, the other exams will count extra to compensate. Any student missing two exams for other than athletic event reasons will be asked to drop the course or receive a 0 for one of those exams, regardless of the reasons for the misses.

Again, if the student is unable to take the scheduled exam s/he must notify the instructor **prior** to the test date and get the instructor's approval.

D. **Course Project 16.7%**: Application of tools, techniques, and concepts learned in the classroom is crucial. The case method lends itself very well to real-world application. Therefore, the student must do a financial and strategic analysis of a company as part of a group. You will receive a group grade and an individual grade. You must evaluate Dolby Laboratories Inc. (symbol: DLB). The group paper must be grammatically correct, correctly documented according to APA or another standard format, properly typed and formatted and professional in appearance (neatness counts!). You may follow the APA, Chicago, or MLA style writing manual. The paper and presentation is due on the **Wednesday of Week 11**.

**COURSE PROJECT DUE— Wednesday of Week 11**

It is assumed that students will maintain an electronic copy of the term project and Powerpoint presentation slides.

E. **Excel and Homework 16.7%**: Items included in consideration are values and formulas correctly done in Excel for the two assigned problems. Homework will be graded.

**VII. ATTENDANCE POLICY**

Class attendance will be extremely important. A student coming to class more than 10 minutes late or leaving more than 10 minutes early will be considered absent. Coming in after roll is called and before 10 minutes late counts as 1/2 absence, but since roll will already have been called, *you must check with me at the end of that class* to ensure you are not counted absent. More than five absences may result in a one-letter grade reduction in the course grade; any

student missing more than eight classes will not receive credit for this course.

## VIII. OFFICE INFORMATION

- A. Office Hours: MW 12-1 pm; 2-4 pm;  
Fri 10am-11 am, 12-1 pm; 2pm-3pm;  
TT by appointment.
- B. Location: Mitchell Hall, 200A (second floor).
- C. Telephone: Office: 330-471-8190 (leave voice mail if no answer)
- Email: [jzietlow@malone.edu](mailto:jzietlow@malone.edu) and [drzfinance@gmail.com](mailto:drzfinance@gmail.com)
- Web pages: Online Syllabus, Course Schedule, Handouts, and Other helps:  
<http://www.johnzietlow.com> (then click on Business Finance)  
Homework Complete Solutions (after late due date passes): Shared R drive (on-campus access only).

## IX. READING LIST

- A. Required –Textbook
- B. Recommended - Study Guide (available for purchase through special order at bookstore; two copies on closed reserve under the instructor’s last name at check-out desk in library)

- X. **504 STATEMENT:** Malone College is committed to the provision of reasonable accommodations for students with disabilities, as defined in Section 504 of the Rehabilitation Act of 1973. If you believe you may qualify for these accommodations, notify your instructor immediately.

- XI. **ACADEMIC INTEGRITY:** As a Christian community of scholarship, we at Malone College are committed to the principles of truth and honesty in the academic endeavor. As faculty and students in this Christian community, we are called to present our academic work as an honest reflection of our abilities; we do not need to defraud members of the community by presenting others’ work as our own. Therefore, academic dishonesty is handled with serious consequences for two fundamental reasons: it is stealing – taking something that is not ours; it is also lying – pretending to be something it is not. In a Christian community, such pretense is not only unnecessary, but it is also harmful to the individual and community as a whole. Cheating should have no place at a campus where Christ is king because god desires us to be truthful with each other concerning our academic abilities. Only with a truthful presentation of our knowledge can there be an honest evaluation of our abilities. To such integrity, we as a Christian academic community are called. Any papers or projects may be turned into [www.turnitin.com](http://www.turnitin.com) for plagiarism checking. (Source: modified from the Lee University Academic Integrity Policy)

“Inasmuch as electronic devices pose a serious risk to academic integrity, and because mobile phones are disruptive to the learning environment, the instructor reserves the right to control the use of all electronic devices in class (phones, pda’s, calculators, etc.). Students are not permitted to use mobile phones, pda’s or other devices for sending/receiving calls and/or text messages during class. Students are asked to switch all such devices to “off” at the beginning of each exam period. Under no circumstances will students turn on electronic devices or keep them on during tests or quizzes. Students who send/receive text messages during an exam, engage in any kind of communications activity which threaten the integrity of the test environment, or photograph on electronic devices test materials or other materials the instructor deems inappropriate for copy are subject to failure in the course at the discretion of the instructor.” (Source: modified from the Southwestern Assemblies of God University Policy)