Course Outline

Course:	Intro to Finance 1 (IF 1)		
Course code:		Year/Semester:	
Program:		Units/Cr Hrs:	
Department:		Instructor:	
Course Type:		Email:	
Pre-Requisite(s):		Phone:	
Prepared By:		Consultation Hours:	
Approved By:		Approval Date:	

COURSE DESCRIPTION

The purpose of this course is to introduce the student to basic principles of finance. These are the basic knowledge for either a career in corporate finance or further education in the area of investments, real estate, banking, and insurance. It is also an excellent primer for non-finance majors wanting to familiarize with the world of finance. The primary goal of this course is to impart the knowledge to allow you to intelligently solve practical business problems. To achieve this goal, it is crucial that you have a sound understanding of finance theory.

The course introduces analytical techniques for evaluating personal and business investment and financing decisions, including coverage of the context and environment in which these decisions are made. Students learn financial jargon and the basic concepts, principles, tools, and techniques of finance such as time value of money, risk and return, analysis of financial statements, securities valuation, and capital budgeting. The idea is to develop a broad appreciation of the field of finance and its role in corporate value maximization. Regardless of your chosen future specialization, this course will help you make personal financial decisions such as investing into the stock market or buying a house.

COURSE OBJECTIVES

1	Describe the major components of a financial system [i.e. Financial Institutions, Financial Markets, financial Instruments, Financial Services and Money] and how their operations affect financial and real assets.
2	Evaluate financial decisions using concepts and techniques of the time value of money and risk and return.
3	Understand the concept of valuing financial assets and be able to value bonds and equities.

COURSE LEARNING OUTCOMES

LO#	Learning Outcome Statement
LO1	Explain the Goal of Financial Management and the conflicts of interest between managers and owners.
LO2	Understand and Analyze the Financial Statements of a company.
LO3	Compute future/ present value and rate of return on investment that involve single/ multiple cash flows.
LO4	Know the important types of bonds and understand the determinants of bond yields.
LO5	Recognize how stock prices depend on future dividends and be able to compute stock prices.

COURSE CONTENTS

Session	Topic
1	Introduction and Syllabus Discussion What is Finance? Why Study Finance?
2	**An Overview of Financial Management, Financial Markets and Institutions** • Identify the key financial decisions facing the financial manager of any business firm. • Explain why maximizing the current value of the firm's stock is the appropriate goal. • Explain the links between stock price, intrinsic value, and executive compensation • Discuss how agency conflicts affect the goal of maximizing stockholder value. • Explain why ethics is an appropriate topic in the study of corporate finance. • Identify the different types of financial markets and financial institutions, andexplain how these markets and institutions enhance capital allocation. • Explain how the stock market operates, and list the distinctions between thedifferent types of stock markets. • Discuss the importance of market efficiency, and explain why some marketsare more efficient than others. • Develop a simple understanding of behavioral finance.

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3	**Financial Statements, Cash Flow, and Taxes** • Discuss generally accepted accounting principles (GAAP) and their importance to the economy. • Explain the balance sheet identity and why a balance sheet must balance. • Describe how market-value balance sheets differ from book-value balance sheets. • Identify the basic equation for the income statement and the information it provides. • Understand the calculation of cash flows from operating, investing, and financing activities required in the statement of cash flows. • Estimate a firm's free cash flow and explain why free cash flow has such animportant effect on firm value. • Discuss the difference between average and marginal tax rates.
4	**Analysis of Financial Statements** • Explain the three perspectives from which financial statements can be viewed. • Describe common-size financial statements, explain why they are used, and be able to prepare and use them to analyze the historical performance of a firm. • List the five groups of ratios and identify, calculate, and interpret the key ratios in each group and Discuss each ratio's relationship to the balance sheet and income statement.
5	**Analysis of Financial Statements** • Discuss the tendency of ratios to fluctuate over time (which may or may not beproblematic); explain how they can be influenced by accounting practices aswell as other factors; and explain why they must be used with care. • Discuss why return on equity (ROE) is the key ratio under management'scontrol and how the other ratios impact ROE, and explain how to use theDuPont equation for improving ROE. • Explain what benchmarks are, describe how they are prepared, and discuss why they are important in financial statement analysis.
6	**Time Value of Money** • Explain how the time value of money works and discuss why it is such animportant concept in finance. • Explain the concept of future value, including the meaning of the terms principal, simple interest, and compound interest, and use the future value formula to make business decisions. Explain the concept of present value, how it relates to future value, and use the present value formula to make business decisions and discuss why the concept of compounding is not restricted to money, and use the future value formula to calculate growth rates. • Calculate the present value and future value of lump sums.
7	**Time Value of Money** • Calculate the present value and future value of an uneven cash flow stream. • Explain why cash flows occurring at different times must be adjusted to reflect their value as of a common date before they can be compared, and compute the present value and future value for multiple cash flows.
8	**Time Value of Money** • Discuss growing annuities and perpetuities, as well as their application in business, and calculate their values. • Discuss the basics of loan amortization and develop a loan amortizationschedule that you might use when considering an auto loan or homemortgage loan.
9	**Bonds and Their Valuation** • Identify the different features of corporate and government bonds. • Discuss how bond prices are determined in the market, what the relationship is between interest rates and bond prices, and how a bond's price changes over time as it approaches maturity. • Describe the market for corporate bonds and three types of corporate bonds. • Explain how to calculate the value of a bond and why bond prices vary negatively with interest rate movements.
10	**Bonds and Their Valuation** • Distinguish between a bond's coupon rate, yield to maturity, and effective annual yield. • Calculate a bond's yield to maturity. • Explain the different types of risk that bond investors and issuers face, and discuss how a bond's terms and collateral can be changed to affect its interest rate.
11	**Stocks and Their Valuation** • Discuss the legal rights of stockholders and explain the distinction between a stock's price and its intrinsic value. • Explain why many financial analysts treat preferred stock as a special type of bond rather than as an equity security. • List the key characteristics of preferred stock, and describe how to estimate the value of preferred stock. • Explain how valuing preferred stock with a stated maturity differs from valuing preferred stock with no maturity and calculate the price of a share of preferred stock under both conditions.

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12	**Stocks and Their Valuation** • Describe how the general dividend-valuation model values a share of stock. • Discuss the assumptions that are necessary to make the general dividend-valuation model easier to use and use the model to compute the value of a firm’s stock. • Explain why g must be less than R in the constant-growth dividend model. **FINAL EXAM**