

BUS 225
BUSINESS FINANCE

COURSE DESCRIPTION:

Prerequisites: ACC 120

Corequisites: None

This course provides an overview of business financial management. Emphasis is on financial statement analysis, time value of money, management of cash flow, risk and return, and sources of financing. Upon completion, students should be able to interpret and apply the principles of financial management. Course Hours Per Week: Class, 2. Lab, 2. Semester Hours Credit, 3.

COURSE OBJECTIVES:

In successfully completing this course, students will:

- a. Fulfill the roles, responsibilities and expectations required of the position.
- b. Comprehend and apply the principles of the communication process, both as a sender and receiver of messages.
- c. Demonstrate the ability to express oneself in clear and concise ways.
- d. Determine the most appropriate form of communication to satisfy the intent of the message.
- e. Demonstrate the ability to objectively identify and assess resources that can provide accurate information.
- f. Apply planning techniques and monitor progress toward achievement.
- g. Apply problem-solving techniques applicable to business decision making.
- h. Recognize and comprehend the organization's goals and objectives.
- i. Model and promote behavior and work habits that the organization strives to attain.
- j. Apply the principles of business finance which support the overall financial strategy of the organization.
- k. Apply the standard and accepted accounting principles when reporting, recording, and projecting financial information/
- l. Understand the structure of financial statements.
- m. Determine methods of financing business activities.
- n. Analyze financial information.
- o. Demonstrate an understanding of the basic principles of taxation relevant to business activities.
- p. Effectively utilize the time value of money, and financial return and risk concepts to conduct professional financial analyzes.
- q. Explain the importance of the capital budgeting process and its impact on the firm's mission, strategies and decision making.
- r. Identify the primary determinants of market interest rates and describe the responses to changes to those rates in terms of supply and demand for loanable funds.

OUTLINE OF INSTRUCTION:

- I. Role of finance and the U.S. Monetary Systems
 - A. Basic requirements for an effective financial system,
 - B. Financial intermediaries in the United States.
 - C. Financial functions in the U.S. system
 - D. Nature and functions of money
 - E. Development of monetary systems
 - F. U.S. monetary system
 - G. Monetary standard and the value of money
 - H. U.S. money supply

- II. Depository institutions and the federal reserve system
 - A. History of the U.S. banking system
 - B. Protection of depositor's funds
 - C. Functions of the banking system
 - D. Assets and sources of funds for depository institutions
 - E. Structure and function of the federal reserve

- III. Economic objectives, policy makers, and the money supply
 - A. National economic policy objectives
 - B. Government influences on the economy
 - C. Policy instruments of the U.S. Treasury
 - D. Changing the money supply
 - E. Factors affecting bank reserves

- IV. International trades and finance
 - A. International transactions
 - B. Financing international trades and other aids
 - C. International financial equilibrium

- V. Savings and investment process and the gross domestic product and capital formation
 - A. Major sources of savings
 - B. Factors affecting savings

- VI. Structure of interest rates
 - A. Supply and demand for loanable funds
 - B. Determinants of market interest rates
 - C. Risk-free securities: U.S. Treasury debt obligations
 - D. Term or maturity structure of interest rates
 - E. Inflation premiums and price movements

- VII. Time value of money
 - A. Simple interest
 - B. Compounding to determine future value
 - C. Discounting to determining present values

- D. Equating present values and future values
- E. Finding interest rates and time requirements
- F. Future value of an account
- G. Present value of an account
- H. Interest rates and time requirements for annuities
- I. Determining annual annuity payments

VIII. Bonds and stocks: characteristics and valuations

- A. Debt capital
- B. Corporate equity capital
- C. Valuation of bonds and stocks
- D. Rates of return

IX. Financial return and risk concepts

- A. Return and risk for a single financial asset
- B. Expected measures and return and risk
- C. Portfolio returns and risk

X. Business organization and financial data

- A. Starting a business
- B. Goal of a firm
- C. Forms of business organizations
- D. The annual report
- E. Income statement
- F. The balance sheet
- G. Statement of cash flows
- H. Federal income taxation
- I. Depreciation basics

XI. Financial analysis and long-term financial planning

- A. Financial statement analysis
- B. Ratio analysis of balance sheet and income statement
- C. Types of financial ratios
- D. Long-term financial planning

XII. Managing working capital

- A. Operating and cash conversion cycles
- B. Cash budgets
- C. Management of current assets

XIII. Short-term business financing

- A. Factors affecting short-term financing
- B. Commercial bank lending operations
- C. Inventory loans
- D. Trade credit

- XIV. Capital budgeting analysis
 - A. The capital budgeting decision
 - B. Capital budgeting process
 - C. Capital budgeting techniques
 - D. Estimating project cash flows
 - E. Strategic analysis and cash flow estimation

- XV. Capital structure and the cost of capital
 - A. Why choose a capital structure
 - B. Required rate of return and the cost of capital
 - C. Cost of debts
 - D. Preferred stocks
 - E. Common equity
 - F. New common stock

REQUIRED TEXTBOOKS AND MATERIALS:

Eakins, Stanley G., Finance: Investments, Institutions, and Management, Second Edition.
Boston, MA: Addison-Wesley, 2002.

STATEMENT FOR STUDENTS WITH DISABILITIES:

Students who require academic accommodations due to any physical, psychological, or learning disability are encouraged to request assistance from a disability services counselor within the first two weeks of class. Likewise, students who potentially require emergency medical attention due to any chronic health condition are encouraged to disclose this information to a disability services counselor within the first two weeks of class. Counselors can be contacted by calling 686-3652 or by visiting the Student Development Office in the Phail Wynn Jr. Student Services Center, room 1309.