

ITT Technical Institute
FN2640
Fundamentals of Finance
Onsite Course

SYLLABUS

Credit hours: 4.5

Contact/Instructional hours: 45 (45 Theory Hours)

Prerequisite(s) and/or Corequisite(s):

Prerequisites: MA1210 College Mathematics I or equivalent, AC1420 Financial Accounting or equivalent

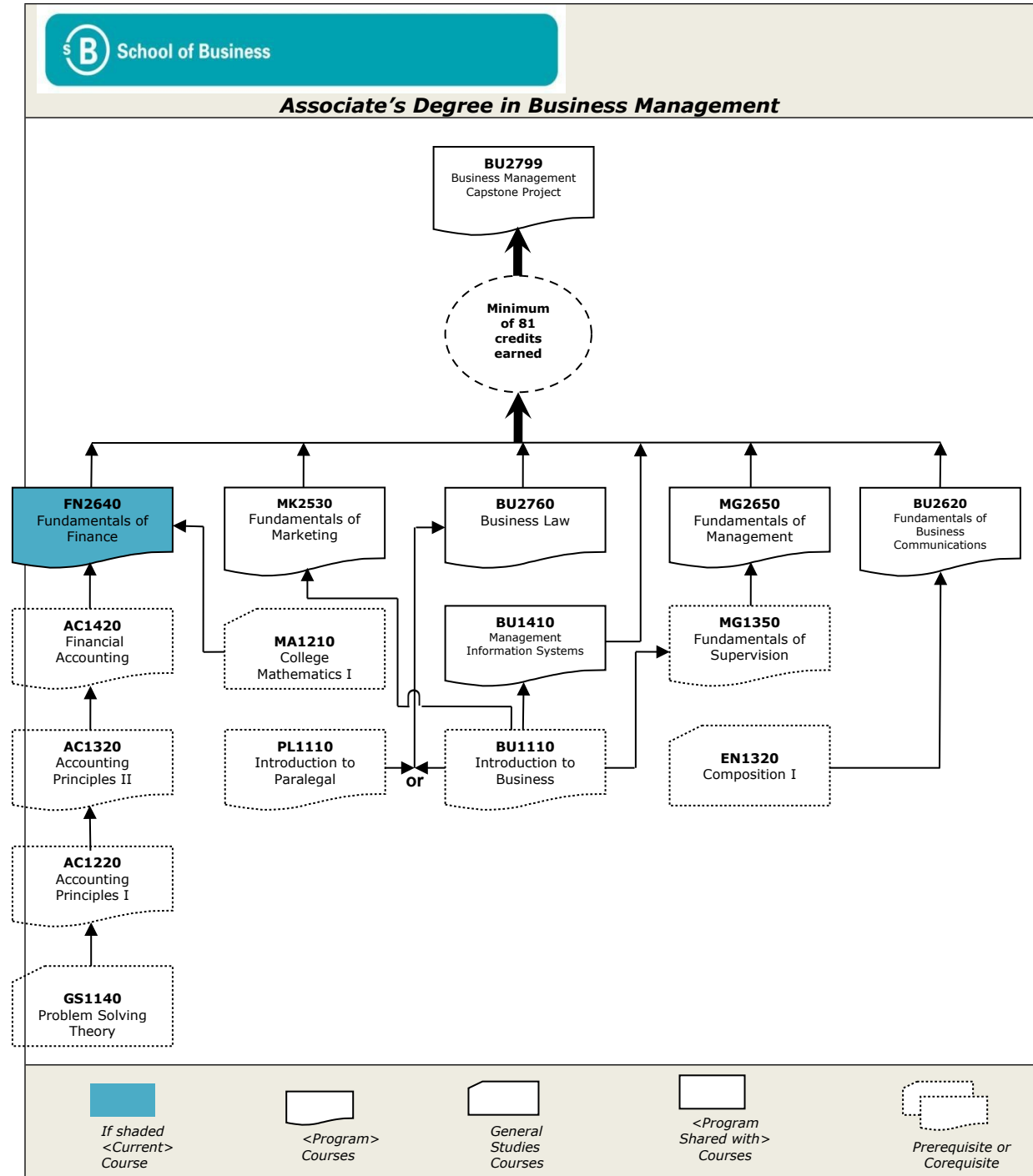
Course Description:

This course examines factors included in financial decision-making, such as return on investment, financial planning, budgeting and the comparison of different corporate investments. It also covers the timing of cash flow and its impact on the desirability of investments.

Where Does This Course Belong?

This course is required for the Business Management program. It is a survey course to help students understand the time-value of money and the underlying theories of corporate finance.

The following diagram demonstrates how this course fits in the standard program:



NOTE: Refer to the catalog for the state-specific course and program information, if applicable.

Course Summary

Major Instructional Areas

1. Time value of money
2. Cost of capital
3. Budgeting
4. Portfolio theory
5. Funding projects
6. Comparison of payback methods

Course Objectives

1. Calculate the return on investments based on cash flow received over time.
2. Develop a financial plan that meets the needs of the organization for cash.
3. Prepare a budget.
4. Evaluate the success of financial decisions.
5. Compare and contrast different investments.
6. Compare and contrast investments that mature at different times.

Learning Materials and References

Required Resources

| Complete Textbook Package | New to this Course | Carried over from Previous Course(s) | Required for Subsequent Course(s) |
|---|--------------------|--------------------------------------|-----------------------------------|
| Melicher, R. and Norton, E. (2011). <i>Introduction to finance: Markets, investments, and financial management</i> (14th ed.). Hoboken, NJ: John Wiley and Sons, Inc. | ■ | | ■ |

Recommended Resources

Wiley Student Companion Site

You may access financial analysis worksheets and practice quizzes at the following site:

<http://bcs.wiley.com/he-bcs/Books?action=index&itemId=0470561076&bcsId=5943>

Or you can log on to www.wiley.com, then type the text isbn (0470561076) in the search bar on the upper right hand side of the web page and click the search button. You will then be taken to a screen with the text cover image and title listed. Click on the “Visit the Companion Sites” link under the text title and then click on the “Student Companion Site” link from the drop down menu.

Professional Associations

- The Financial Management Association: <http://www.fma.org>
- The CFA Institute: <http://www.cfainstitute.org>
- Financial Planning Association: <http://www.fpanet.org>
- Certified Financial Planner: <http://www.cfp.net>

ITT Tech Virtual Library (accessed via Student Portal | <https://studentportal.itt-tech.edu>)

Accessed via Books > Ebrary

- Adair, Troy A., Jr. *Corporate Finance Demystified*. New York: The McGraw-Hill Companies, 2006.
- Barrow, Colin. *Practical Financial Management*. 7th ed. London: Kogan Page Ltd., 2008.
- Faerber, Esmé E. *All About Stocks: The Easy Way to Get Started*. 3rd ed. Blacklick, OH: The McGraw-Hill Companies, 2007.
- Gopal, CA. C. Rama. *Financial Management [Text Cum Suggested Answers]*. New Delhi: New Age International (P) Limited, 2008.
- Pratt, Shannon P., and Roger J. Grabowski. *Cost of Capital: Applications and Examples*. 3rd ed. Hoboken, NJ: Wiley, 2008.
- Sihler, William W., Richard D. Crawford, and Henry A. Davis. *Smart Financial Management: The Essential Reference for the Successful Small Business*. Saranac Lake, NY: AMACOM, 2004.

- Stanyer, Peter. Guide to Investment Strategy: How to Understand Markets, Risk, Rewards and Behaviour. London: Profile Books Limited/The Economist, 2006.
- Stittle, John, and Robert Wearing. Financial Accounting. London: Sage Publications Incorporated, 2008.
- Tennent, John. Guide to Financial Management. London: Profile Books Limited/The Economist, 2008.

Web sites

- BizStats: A free online source for small business statistics.
<http://www.bizstats.com/>
- MSN Money: An online source for information on personal finance and investing.
<http://moneycentral.msn.com/home.asp>
- U.S. Securities and Exchange Commission: An online source for information on the U.S. Securities and Exchange Commission.
<http://www.sec.gov/>
- WebFinance Inc.: A financial glossary, helping millions of individuals understand and keep up to date with the terms that they should know to succeed in today's financial world.
<http://www.investorwords.com/>
- Yahoo! Finance: An online source for information on business finance, the stock market, quotes, and news.
<http://finance.yahoo.com/>

NOTE: All links are subject to change without prior notice.

Information Search

Use the following keywords to search for additional online resources that may be used for supporting your work on the course assignments:

-
- Time value of money
- ROI
- Cash flow
- Investment maturity
- Financial budgeting
- Interest rates
- Financial planning

Suggested Learning Approach

In this course, you will be studying individually and within a group of your peers. As you work on the course deliverables, you are encouraged to share ideas with your peers and instructor, work collaboratively on projects and team assignments, raise critical questions, and provide constructive feedback.

Use the following advice to receive maximum learning benefits from your participation in this course:

| DO | DON'T |
|---|---|
| <ul style="list-style-type: none">▪ Do take a proactive learning approach▪ Do share your thoughts on critical issues and potential problem solutions▪ Do plan your course work in advance▪ Do explore a variety of learning resources in addition to the textbook▪ Do offer relevant examples from your experience▪ Do make an effort to understand different points of view▪ Do connect concepts explored in this course to real-life professional situations and your own experiences | <ul style="list-style-type: none">▪ Don't assume there is only one correct answer to a question▪ Don't be afraid to share your perspective on the issues analyzed in the course▪ Don't be negative about the points of view that are different from yours▪ Don't underestimate the impact of collaboration on your learning▪ Don't limit your course experience to reading the textbook▪ Don't postpone your work on the course deliverables – work on small assignment components every day |

Course Outline**Unit 1: The Financial Markets and Institutions****Out-of-class work:**
9 hours

Upon completion of this unit, the students are expected to:

- Define key terms in the field of finance
- Explain the importance of the field of finance
- Illustrate the six principles of finance.
- Distinguish between the different types of financial markets.
- Describe the major financial institutions and their roles in the financial system.
- Identify the major components of the monetary system.
- Describe the major types of money market securities.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|-----------------------------------|----------------------------------|--|--|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapters 1-2 | Assignment | Unit 1 Assignment 1: Financial Markets | 3% |
| | Case Study | Unit 1 Case Study 1: Six Principles of Finance | 3% |

Unit 2: Money and Banking**Out-of-class work:**
9 hours

Upon completion of this unit, the students are expected to:

- Identify the functions of banks and of the banking system.
- Describe the management of the bank balance sheet.
- Describe the structure of the Federal Reserve System.
- Discuss the objectives of national economic policy and the conflicting nature of these objectives.
- Calculate the effects of currency exchange rate changes on business transactions.
- Describe the factors that affect currency exchange rates.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|-----------------------------------|----------------------------------|--|--|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapters 3-6 | Assignment | Unit 2 Assignment 1: Banking Questions | 3% |
| | Case Study | Unit 2 Case Study 1: Exchange Rate Impacts | 3% |

Unit 3: Savings, Investment, and Interest Rates**Out-of-class work:**
9 hours

Upon completion of this unit, the students are expected to:

- Identify the major sources of savings in the United States.
- Explain the role individuals and households played in the financial crisis of 2007-2009.
- Describe major capital market securities that facilitate the savings and investment process.
- Identify the major determinants of market interest rates.
- Explain the term structure of interest rates.
- Describe the causes of inflation.
- Apply the three theories used to explain the term structure of interest rates.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|-----------------------------------|----------------------------------|---|---|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapters 7-8 | Case Study | Unit 3 Case Study: Term Structure of Interest Rates | 3% |
| | Assignment | Unit 3 Assignment 1: Determinants of Interest | 3% |

Unit 4: Time Value of Money**Out-of-class work:**
9 hours

Upon completion of this unit, the students are expected to:

- Use the process of compounding to calculate future values.
- Apply discounting to find present values.
- Calculate the present values of multiple cash flows.
- Solve problems involving annuities.
- Calculate the rate of interest given present value, future value and time periods.
- Explain alternative methods of calculating interest rates on consumer loans.
- Construct an amortization table.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|--------------------------------|----------------------------------|---|---|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapter 9 | Assignment | Unit 4 Assignment 1: Questions and Exercises | 3% |
| | Case Study | Unit 4 Case Study 1: Constructing an Amortization Table | 3% |
| | Project | Unit 4 Project Part 1: Corporate Debt Analysis | 4% |

Unit 5: Bonds and Stocks: Characteristics and Valuation

Upon completion of this unit, the students are expected to:

Out-of-class work:
9 hours

- Describe the major characteristics of bonds.
- Calculate the values of bonds with different characteristics.
- Analyze the effects of changes in yields to maturity on bond prices.
- Describe the major characteristics of equity securities.
- Discuss the determinants of dividend policies.
- Use dividend discount models to calculate the value of equity securities.
- Describe the functioning of the major equity securities markets.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|-------------------------------------|----------------------------------|---|---|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapters 10-11 | Assignment | Unit 5 Assignment 1: Questions and Exercises | 3% |
| | Project | Unit 5 Project Part 2: Bond & Stock Valuation | 4% |

Unit 6: Securities Markets, Risk, and Return

Upon completion of this unit, the students are expected to:

Out-of-class work:
9 hours

- Calculate return and risk measures for a single security.
- Explain the concept of market efficiency.
- Illustrate how portfolio diversification reduces risk.
- Explain the difference and importance of systematic and unsystematic risk.
- Use the Capital Asset Pricing Model to estimate required rates of return.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|---------------------------------|----------------------------------|--|---|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapter 12 | Exam | Unit 6 Midterm Exam | 13% |
| | Case Study | Unit 6 Case Study 1: Portfolio Diversification | 3% |
| | Project | Unit 6 Project Part 3: Beta Calculation | 4% |

Unit 7: Financial Analysis and Long-Term Planning

Upon completion of this unit, the students are expected to:

Out-of-class work:
9 hours

- Describe the four major financial statements.
- Identify the goal of corporate financial management.
- Use financial ratios to analyze the performance of a company.
- Explain the major components of DuPont analysis.
- Describe the cost-volume-profit analysis concept.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|-------------------------------------|----------------------------------|-------------------------------------|--|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapters 13-14 | Case Study | Unit 7 Case Study 1: Ratio Analysis | 3% |
| | Project | Unit 7 Project Part 4: Trends | 4% |

Unit 8: Managing Working Capital

Upon completion of this unit, the students are expected to:

Out-of-class work:
9 hours

- Explain the cash conversion cycle.
- Prepare a cash budget.
- Explain the methods of managing the major components of current assets.
- Describe strategies for financing working capital.
- Identify types of short-term financing available to a firm.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|-------------------------------------|----------------------------------|--|--|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapters 15-16 | Case Study | Unit 8 Case Study 1: Prepare a Cash Budget | 3% |
| | Assignment | Unit 8 Assignment 1: Working Capital Questions | 3% |

Unit 9: Capital Budgeting

Upon completion of this unit, the students are expected to:

Out-of-class work:
9 hours

- Explain the five steps in the capital budgeting process.
- Use net present value and internal rate of return to evaluate capital budgeting projects.
- Identify the strengths and weaknesses of different capital budgeting evaluation techniques.
- Explain how relevant cash flows are determined for capital budgeting decisions.

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|--------------------|----------------------------------|--|--|
|--------------------|----------------------------------|--|--|

| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
|---------------------------------|------------------|--|--|
| Melicher and Norton, Chapter 17 | Assignment | Unit 9 Assignment 1: Analyzing Cash Flows | 3% |
| | | Unit 9 Assignment 2: Predicting Cash Flows | 3% |

Unit 10: Capital Structure and the Cost of Capital

Upon completion of this unit, the students are expected to:

- Describe the factors that affect a firm's capital structure.
- Calculate the cost of a firm's debt financing.
- Calculate the cost of a firm's equity capital.
- Estimate the firm's weighted average cost of capital.

Out-of-class work:
9 hours

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|---------------------------------|----------------------------------|--|--|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Melicher and Norton, Chapter 18 | Assignment | Unit 10 Assignment 1: Cost of Capital | 3% |
| | Project | Unit 10 Project Part 5: Debt Ratio and Cost of Equity and Debt Financing | 4% |

Unit 11: Course Review, Final Exam, and Project Presentations

Upon completion of this unit, the students are expected to:

- Present the results of financial analysis using graphs prepared in Excel and slides prepared in PowerPoint

Out-of-class work:
9 hours

| READING ASSIGNMENT | GRADED ACTIVITIES / DELIVERABLES | | |
|---|----------------------------------|---|--|
| | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| Review of all assigned chapters in the course | Exam | Unit 11 Final Examination | 15% |
| | Project | Unit 11 Project Part 6: Presentation and Write-Up (PORTFOLIO) | 4% |

Note: Your instructor may add a few learning activities that will change the grade allocation for each assignment in a category. The overall category percentages will not change.

Evaluation and Grading

Evaluation Criteria

The graded assignments will be evaluated using the following weighted categories:

| Category | Weight |
|--------------|-------------|
| Assignment | 27% |
| Case Study | 21% |
| Project | 24% |
| Exam | 28% |
| TOTAL | 100% |

Grade Conversion

The final grades will be calculated from the percentages earned in the course, as follows:

| Grade | Percentage | Credit |
|-------|------------|--------|
| A | 90–100% | 4.0 |
| B+ | 85–89% | 3.5 |
| B | 80–84% | 3.0 |
| C+ | 75–79% | 2.5 |
| C | 70–74% | 2.0 |
| D+ | 65–69% | 1.5 |
| D | 60–64% | 1.0 |
| F | <60% | 0.0 |

Academic Integrity

All students must comply with the policies that regulate all forms of academic dishonesty or academic misconduct, including plagiarism, self-plagiarism, fabrication, deception, cheating, and sabotage. For more information on the academic honesty policies, refer to the Student Handbook and the Course Catalog.

Out-of-Class Work

| Unit Number | Title of Activity | Type of Activity | Estimated Time of Activity (minutes) |
|--------------------|--------------------------|-------------------------|---|
| 1 | Preparatory reading | Reading | 180 |
| 1 | Assignment | Assignment | 120 |
| 1 | Case Study | Assignment | 180 |
| 1 | Web Research | Webquest | 120 |
| 2 | Preparatory reading | Reading | 240 |
| 2 | Assignment | Assignment | 120 |
| 2 | Case Study | Assignment | 180 |
| 3 | Preparatory reading | Reading | 120 |
| 3 | Assignment | Assignment | 120 |
| 3 | Case Study | Assignment | 180 |
| 4 | Preparatory reading | Reading | 120 |
| 4 | Assignment | Assignment | 120 |
| 4 | Case Study | Assignment | 180 |
| 4 | Project Work | Assignment | 180 |
| 5 | Preparatory reading | Reading | 120 |
| 5 | Assignment | Assignment | 120 |
| 5 | Project Work | Assignment | 120 |
| 5 | Exam prep | Exam prep | 180 |
| 6 | Preparatory reading | Reading | 120 |
| 6 | Assignment | Assignment | 120 |
| 6 | Case Study | Assignment | 180 |
| 6 | Project Work | Assignment | 180 |
| 7 | Preparatory reading | Reading | 120 |
| 7 | Case Study | Assignment | 180 |
| 7 | Project Work | Assignment | 180 |
| 8 | Preparatory reading | Reading | 120 |
| 8 | Case Study | Assignment | 180 |
| 8 | Assignment | Assignment | 120 |
| 9 | Preparatory reading | Reading | 120 |
| 9 | Assignment | Assignment | 120 |
| Unit Number | Title of Activity | Type of Activity | Estimated Time of Activity (minutes) |

| | | | |
|----|---------------------|------------|-----|
| 9 | Assignment | Assignment | 120 |
| 10 | Preparatory reading | Reading | 120 |
| 10 | Assignment | Assignment | 120 |
| 10 | Project Work | Assignment | 180 |
| 11 | Final Exam prep | Exam Prep | 240 |
| 11 | Project Work | Assignment | 180 |

(End of Syllabus)