

Huntingdon College
Adult Degree Completion Program

COURSE NUMBER: BUS311
COURSE NAME: Foundations of Finance
Spring 2009, Session I, Center Point

INSTRUCTOR'S NAME: Bruce Stutts

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COURSE DESCRIPTION: Financing Business. Special attention to internal financial structure. This course provides an introduction to financial institutions, markets, investments, and financial management. The focus of the course is on the arena of the financial system and the principal players, the logistics of money, investments and the markets they are traded in, and the financial workings and management of businesses. The basis for the course is the six principles of finance:

- Money has time value
- Higher returns are expected for taking more risk
- Diversification of Investments can reduce risk
- Financial markets are efficient in pricing securities
- Managers and stockholders objectives may be different
- Reputation matters

PREREQUISITE: ACT201 and either ECON201 or 202

TEXT REQUIRED: Melicher, Ronald W., and Norton, Edgar A., Introduction to Finance: Markets, Investments, and Financial Management, Wiley (**see Huntingdon College booklist for edition and ISBN**)

COURSE LEARNING OUTCOMES:

- Describe the four principles of finance
- Describe the basic requirements of an effective financial system.
- Identify the major financial institutions and their roles in the financial system.
- Describe the four types of financial markets.
- Identify major types of securities traded in the securities markets.
- Describe the financial functions performed in the financial system.
- Describe the roles of major components of the financial system.
- Describe the three ways that money is transferred from savers to investors.
- Explain why depository institutions are an important part of the monetary system.
- Describe the functions of money.
- Describe the major financial institutions and their roles in the financial system.
- Describe the differences between commercial banking and investment banking.
- Identify the functions of banks and of the banking system.

- Discuss general regulation of the banking system and how depositors' funds are protected.
- Briefly describe the bank balance sheet and the major account categories that it contains.
- Identify three weaknesses of the national banking system before the establishment of the Federal Reserve System.
- Describe Federal Reserve membership in terms of who must join and who may join.
- Discuss how the Fed uses reserve requirements to carry out monetary policy.
- Discuss how the discount rate policy is employed by the Fed.
- Describe the Fed's use of open market operations to alter bank reserves.
- Discuss the objectives of national economic policy and the conflicting nature of these objectives.
- Identify the major policy makers and briefly describe their primary responsibilities.
- Identify the policy instruments of the U.S. Treasury and briefly explain how the Treasury manages its activities.
- Describe U.S. Treasury tax policy and debt management responsibilities.
- Discuss how the expansion of the money supply takes place in the U.S. banking system.
- Briefly summarize the factors that affect bank reserves.
- Identify and briefly describe the major components of the gross domestic product.
- Indicate the scope and magnitude of the federal budget and identify the principal sources of revenues and expenditures.
- Explain the nature of federal government borrowing and describe recent trends in borrowing.
- Identify the major sources of savings in the United States.
- Explain how funds flow from savings into investments.
- Identify and describe the factors that affect savings.
- Describe how interest rates change in response to shifts in the supply and demand for loanable funds.
- Describe what is meant by the loanable funds theory of interest rates.
- Identify the major determinants of market interest rates.
- Describe the types of marketable securities issued by the U.S. Treasury.
- Explain what is meant by the term or maturity structure of interest rates.
- Identify and briefly describe the three theories used to explain the term structure of interest rates.
- Describe the various types of inflation and their causes.
- Explain what is meant by the time value of money.
- Describe the concept of simple interest.
- Describe the process of compounding.
- Describe discounting to determine present values.
- Describe the meaning of an ordinary annuity.
- Find interest rates and time requirements for problems involving annuities.
- Calculate annual annuity payments.
- Describe the difference between the annual percentage rate and the effective annual rate.
- Identify the major sources of external long-term financing for corporations.
- Describe major characteristics of corporate bonds.

- Describe major characteristics of preferred stock and common stock.
- Explain how financial securities are valued in general and specifically for bonds and stocks.
- Calculate rates of return.
- Describe the processes and institutions used by businesses to distribute new securities to the investing public.
- Explain the three forms of market efficiency.
- Understand how and why the combining of securities into portfolios reduces the overall or portfolio risk.
- Explain the difference between systematic and unsystematic risk.
- Describe the capital asset pricing model (CAPM) and discuss how it is used.
- Identify the major sources of external long-term financing for corporations.
- Describe major characteristics of corporate bonds.
- Describe the three major forms of business organization.
- Provide a brief description of the income statement.
- Provide a brief description of the balance sheet.
- Provide a brief description of the statement of cash flows.
- Describe the five basic types of financial ratios.
- Indicate what is meant by Du Pont analysis and indicate its major components.
- Explain the importance of the quality of financial statements.
- Describe the link between asset investment requirements and sales growth.
- Describe how internally generated financing occurs.
- Describe how additional external financing requirements are determined.
- Explain how the capital budgeting process should be related to a firm's mission and strategies.
- Identify and describe the five steps in the capital budgeting process.
- Identify and describe the methods or techniques used to make proper capital budgeting decisions.
- Explain how relevant cash flows are determined for capital budgeting decision purposes.
- Explain how a firm can determine its cost of debt financing and cost of equity financing.
- Explain how a firm can estimate its cost of capital.
- Explain how a firm's growth potential, dividend policy, and capital structure are related.
- Describe the factors that affect a firm's capital structure.

COURSE ASSIGNMENTS & GRADING CRITERIA:

Weekly Homework – All weekly assigned questions will be typed out and turned in for assessment by the instructor. Thoroughness, accuracy and understanding of the concepts should be demonstrated. Be ready to discuss your answers in class.

Exams – mainly multiple-choice but may include workout problems.

Financial Calculator: You need a financial calculator to help you to get through this course – preferably a **TIBAll plus**. Please read the manual and booklet come with the calculator and textbook to familiarize with some basic operations.

Grading Elements

Outside Assignments	30%
Exam 1	30%
Exam 2	30%
Participation	<u>10%</u>
Total	100%

Grade Point Equivalents - Point Range for each letter grade.

A = 90-100%
B = 80-89
C = 70-79
D = 60-69
F = 59 or less

ATTENDANCE POLICY:

Absences and Tardiness – All students are required to attend the first session. Those who do not attend the first session will be automatically dropped from the course. Students with more than one absence will receive an "F" for the course. Since this class meets only five times, missing a single class meeting is equivalent to missing three weeks of a regular term. If you cannot attend a class you must let the instructor know via email as soon as possible. In case of absences you are responsible for obtaining all handouts and assignments. Tardiness may result in a deduction in your class participation grade. Excessive tardiness may count as an absence.

Participation –Participation is not the same as attendance. Participation requires students to come to class prepared to actively participate, which makes the classroom experience more meaningful. However, participation is not just speaking out in class. The contributions made by the student should be related to the course content and meaningful to the class discussion.

Late Assignments – Explain whether late assignments will be accepted and what penalty might be imposed if the assignment is late. Also specify what assignments can be turned in late. This will allow the student to make informed decisions.

Accommodation of Special Needs- Huntingdon College makes every reasonable accommodation for disabilities that have been processed and approved through our Disability Services Committee in accord with the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990. In order to request disability-related services at Huntingdon College, students must self-identify to the Disabilities Intake Coordinator, Camilla Irvin, and provide appropriate and up-to-date documentation to verify their disability or special needs. After the accommodations have been approved by the Disability Services Committee, the 504 Coordinator, Dr. Lisa Olenik, will notify your professor(s) of the committee's decision. If you have any questions regarding reasonable accommodation or need to request disability-related services, please contact Disability Services at (334) 833-4432 or e-mail at disabilityservices@huntingdon.edu.

Academic Honesty –Plagiarism is literary theft. Failure to cite the author of any language or of any ideas *which are not your own creation* is plagiarism. This includes any text you might paraphrase, as well. Anyone is capable of searching the Internet or any printed media; your research paper is intended to broaden your knowledge, stimulate your creativity, and make you think, analyze, and learn. It is not consistent

with the College Honor Code, nor with scholarly expectations to submit work which is not the product of your own thinking and research. Severe penalties will result upon the submission of any work found to be plagiarized, including potential failure of the entire course. It is easy and simple to properly cite all sources used in your paper. Take no risks – cite your sources.

CLASS SCHEDULE:

Class 1:

Reading Assignment: Chapters 1-4

Homework #1 due in class 2: Assigned in class.

Class 2:

Reading Assignment: Chapters 5-6

Homework #2 due class 3: Assigned in class.

Review for exam 1: Exam 1 will be given at the beginning of class 3 and will be on material covered in the first 2 classes.

Class 3:

Reading Assignment: Chapters 7-9

Exam 1: Beginning of class 3

Homework #3 due class 4: Assigned in class.

Class 4:

Reading Assignment: Chapters 10-12

Homework #4 due class 5: Assigned in class.

Review for exam 2: Exam 2 will be given at the end of class 5 and will be on material covered in the last three classes.

Class 5:

Reading Assignment: Chapters 13-15

Exam 2: End of class 5