

BUAD 320: Managerial Finance (December 2009)

Catalog Course Description:

An examination of the conceptual and institutional framework within which the financial manager operates toward shareholder wealth maximization. Topics include financial statement analysis and financial forecasting, time value of money, risk analysis, securities valuation and rates of return, elementary capital structure and capital budgeting decisions, dividend policy, and an introduction to international financial management.

General Course Objectives:

The general course objectives are:

- 1) To give the student a foundation in the concepts and applications of finance as a business decision-making tool in global economy.
- 2) To introduce the student ethical issues and decision models used by financial management practitioners.
- 3) To acquaint the student with some of the current institutional details pertaining to, and also the terminology used by, the business-financial world.

Specific Course Objectives:

The student who successfully completes this course should be able to:

- 1) Explain why the goal of shareholder wealth maximization is likely to be pursued by firms, how this goal differs from other possible goals such as profit maximization, market-share maximization, and managerial welfare maximization, and also explain the agency-ethical problems associated with shareholder wealth maximization.
- 2) Analyze elementary financial statements (balance sheet and income statement).
- 3) Explain how capital structure decisions impact firm value.
- 4) Explain how cash and liquid securities impact a firm's liquidity, solvency, and probability of financial distress.
- 5) Identify the components of total risk, differentiate market related from firm-specific risk, and explain how diversification eliminates firm-specific risk.
- 6) Solve time-value-of-money problems such as future value, present value, and rate of return to investments, and also calculate loan payments and amortization schedules.
- 7) Apply basic bond and stock valuation models, and use basic capital market terminology.
- 8) Calculate the "cost of capital," and explain the concept of "risk-adjusted discount rate" as utilized for capital budgeting purposes.
- 9) Use NPV and IRR analysis for capital budgeting, and also explain the weaknesses of methods other than the NPV method for capital budgeting.
- 10) Calculate a residual dividend.
- 11) Explain the additional financial risks faced by firms with international business, and demonstrate the use of at least one method to hedge these risks.