

FINANCIAL MANAGEMENT

FINN 3120 002

Friday 017

Spring 2006

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Office Hours:
TR 11:00 -11:30am
3:30 – 4:00pm
Wed 10:00 – 11:30am

TEXTBOOK

Foundations of Finance (fifth edition) by Keown, Petty, Scott and Martin
(Pearson-Prentice Hall – Englewood Cliffs, NJ – 2006)

CALCULATOR

Much of the course involves quantitative analysis. Consequently it is necessary for each student to have a calculator. During quizzes and exams the sharing of calculators and the use of calculator instruction books are not permitted. A financial calculator capable of performing time value of money, NPV, and IRR calculations is required. I will be using a Hewlett Packard 10BII to present the calculator-generated solutions of the course material.

COURSE OBJECTIVE

The course is designed to provide a basic understanding of the principles involving the management of funds in a business and their application to financial decision-making. The emphasis of the course will be on the corporate form of business. By the end of the semester, the student should have improved competency in the following areas:

- An understanding of and ability to evaluate certain legal issues
- An ability to apply, articulate and evaluate problem-solving processes
- An ability to think critically and act analytically

PREREQUISITES

Only College of Business students with at least Junior standing are permitted to enroll in this class. In addition, students must have completed MATH 1120; STAT 2220; INFO 2130 (or the College Microcomputer Proficiency Test), ACCT 2121; ACCT 2122; ECON 1201; and ECON 1202 with a “C” or better in each course. **Students who have not met these prerequisites will be dropped from the course.**

GRADES

Grades will be based on a standard 10 point scale (90 – 100 = A; 80 - 89 = B, etc.) based on four equally weighted exams. It is possible that there might also be occasional announced and unannounced quizzes based on homework assignments. The average grade on such quizzes could count as much as 5 percent of the student’s final average.

HOMEWORK REQUIREMENTS

Reading, problems and/or case assignments will be made for each class period. Every student is expected to have completed his/her daily assignment prior to the appropriate class period. Homework problems will not be taken up and graded as part of the course requirement. However,

FINANCIAL MANAGEMENT

FINN 3120-002

Friday 017

Spring 2006

Page 2

announced and unannounced quizzes may be given from time to time based on the reading and/or problems assigned for that period or the previous period. **NO MAKE-UP QUIZZES WILL BE GIVEN.**

CODES OF CONDUCT

Regular attendance, promptness and appropriate classroom decorum is expected. Excessive absenteeism, frequent tardiness, or disruptive classroom behavior may result in a substantial grade penalty at the discretion of the instructor. Excessive absenteeism is defined as more than three (3) unexcused absences. A student may expect one point to be deducted from his/her final grade for each absence in excess of three.

Academic dishonesty is not tolerated by The Belk College of Business Administration or the Instructor. Cheating will be dealt with in the manner specified by the most recent edition of the *UNC-Charlotte Code of Student Academic Integrity*.

COURSE DESCRIPTION

Principles and problems of financial aspects of managing capital structure, least-cost asset management, planning and control. Computer application will be included where appropriate.

QUIZ AND EXAM REQUIREMENTS

All exams will be in a multiple choice format. Answers will be recorded on Scantron answer sheets which are available at the Campus Bookstore for approximately \$ 1.50 per package of six. Scantron answer sheets will **not** be provided by the instructor. Students must have one Scantron answer sheet for each test or a total of 4. In addition, a #2 pencil with a good eraser should be brought to class on test days to record answers on the sheet.

TENTATIVE SCHEDULE

DATE	TOPIC	ASSIGNMENT
January 10	Introduction to Finance	
January 12	1) Introduction to Finance (con't) 2) Federal Taxation	Chapter 1
January 17	1) Financial Markets and Interest Rates	Chapter 2 Problems: 1-1, 1-3, 1-7, 1-10
January 19	1) The Time Value of Money	Chapter 5 Problems: 2-3, 2-4, 2-5, 2-6
January 24	1) The Time Value of Money (cont'd)	Problems 5-1, 5-2, 5-3, 5-4, 5-5, 5-6
January 26	1) The Meaning and Measurement of Risk and Return	Problems: 5-8, 5-10, 5-12, 5-13 5-14, 5-15, 5-16, 5-18 Chapter 6
January 31	The Meaning and Measurement of Risk and Return (con't)	Problems: 5-19, 5-21, 5-31, 5-34
February 2	The Meaning and Measurement of Risk and Return (cont'd)	Problems 6-1, 6-2, 6-6, 6-7, 6-8
February 7	Catch up	
February 9	EXAM 1 – CHAPTERS 1, 2, 5, 6	
February 14	Understanding Financial Statements and Cash Flows	Chapter 3
February 16	Evaluating a Firm's Financial Performance	Chapter 4
February 21	Evaluating a Firm's Financial Performance (cont'd)	Problems 4-6, 4-8, 4-9
February 23	Valuation and Characteristics of Bonds and Stocks	Chapters 7 & 8
February 28	Valuation and Characteristics of Bonds and Stocks (continued)	Problems: 7-1, 7-2, 7-3, 7-4, 7-5, 7-6, 7-7, 7-8, 7-9, 7-11, 7-13

DATE	TOPIC	ASSIGNMENT
March 2	Valuation of Stocks (continued)	Problems: 8-5, 8-6, 8-8, 8-9 8-13, 8-14, 8-15, 8-16
March 6-10	No Classes-Spring Break	
March 14	1. Catch up 2. Capital Budgeting Techniques and Practice	Chapters 9 & 10
March 16	EXAM II – CHAPTERS 3, 4, 7, 8	
March 21 & 23	Capital Budgeting (con't)	Chapters 9 & 10
March 28	Introduction to Working Capital Management	Chapters 15 & 16 Problems: 9-3, 9-4, 9-6, 9-8, 9-9, 10-9, 10-10
March 30	Working Capital Management	Chapter 15
April 4	Current Asset Management	Problems: 15-1, 15-3, 15-6, 16-13, 16-14, 16-17, 16-18
April 6	Catch up	
April 11	EXAM III – CHAPTERS 9, 10, 15, 16	
April 13	Cost of Capital	Chapter 11
April 18	Cost of Capital (cont'd)	Problems 11-1, 11-2, 11-3, 11-4 11-5 and Comprehensive Problem (Page 361)
April 20	Determining the Financing Mix	Chapter 12
April 25	Determining the Financing Mix (cont'd)	Problems 12-5, 12-6, 12-8
April 27	Financial Forecasting, Planning, and Budgeting	Chapter 14
May 2	1) Financial Forecasting, Planning, and Budgeting (cont'd) 2) Dividend Policy and Internal Financing	Problems 14-4, 14-8 Chapter 13
May 9	EXAM IV – CHAPTERS 11, 12, 13, 14	3:30 – 5:30PM

Walker-Wilson Company, Inc.
Income Statement
Year Ended 12/31/04

Net Sales		\$3,000,000	
Cost of Goods Sold		<u>2, 555,000</u>	
Gross Profit		455,000	
Less: Operating Expenses			
Selling	22,000		
General & Administrative	40,000		
Lease Payments on Building	<u>28,000</u>	<u>90,000</u>	
Gross Operating Revenue		355,000	
Depreciation		<u>100,000</u>	
Net Operating Income (NOI)		255,000	
Other Income and Expenses Except Interest		0	
Royalties		<u>15,000</u>	
Earnings Before Interest and Taxes		270,000	
Less Interest Expenses:			
Interest on Notes Payable	10,000		
Interest on First Mortgage	40,000		
Interest on Debentures	<u>20,000</u>	70,000	
Net Income Before Income Tax		200,000	
Income Taxes		<u>80,000</u>	
Net Income After Tax,			
Available to Common Stockholders		120,000	
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Earnings Per Share		0.60	
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Statement of Retained Earnings Year Ended 12/31/04

Balance of Retained Earnings 12/31/03		\$380,000	
Plus Net Income, 2004		<u>120,000</u>	
		500,000	
Less Dividends to Stockholders		<u>100,000</u>	
Balance of Retained Earnings, 12/31/04		\$400,000	

Note: The sinking fund requirement for the mortgage bonds is \$20,000 a year.

Walker Wilson Company, Inc.
Balance Sheet
(thousands of dollars)

ASSETS	12/31/03	12/31/04
Cash	52	50
Marketable Securities	175	150
Receivables	250	200
Inventories	355	300
Total Current Assets	<u>832</u>	<u>700</u>
Gross Plant and Equipment	1610	1800
Less Depreciation	<u>400</u>	<u>500</u>
Net Plant and Equipment	<u>1210</u>	<u>1300</u>
Total Assets	2042	2000
 CLAIMS ON ASSETS		
Accounts Payable	87	60
Notes Payable (@ 10%)	110	100
Accruals	10	10
Prov. For Income Taxes	<u>135</u>	<u>130</u>
Total Current Liabilities	342	300
First Mortgage Bonds (@ 8%)	520	500
Debentures (@ 10%)	200	200
Common Stock (200,000 shares)	600	600
Retained Earnings	<u>380</u>	<u>400</u>
Total Net Worth	<u>980</u>	<u>1000</u>
Total Liabilities and Equity	2042	2000