

**COURSE NUMBER:** FN1140

**COURSE TITLE:** Introduction to Finance

**COURSE DESCRIPTION:**

This course develops the concepts for the financial foundation of all upper level finance courses. The course is designed to provide an introductory level of finance concepts and the use in business decisions. In this course the student will explore the importance of finance in business. Topics merchandising, interest calculations, debt amortization, annuities, bonds and sinking funds, foreign currency computations, and capital budgeting. Students will use a financial calculator or spreadsheet to make financial management decisions.

**PREREQUISITES:** None

**CO-REQUISITES:** None

**CREDIT VALUE:** Three (3)

**COURSE HOURS PER WEEK:** Three (3)

**LAB HOURS PER WEEK:** One (1)

**SUGGESTED TEXT:**

One of:

Hummelbrunner, S.A., Coombs, S., & Olivier, J-P. (2008). *Contemporary business mathematics (with Canadian applications)* (8<sup>th</sup> ed.). Toronto: Pearson Education Canada. ISBN-10: 0137141491; ISBN-13: 9780137141494

Jerome, F.E. (2010). *Business mathematics in Canada* (7<sup>th</sup> ed.). Toronto: McGraw-Hill. ISBN-13: 9780071091411

Slater, J. (2008). *Practical business math procedures* (6<sup>th</sup> ed.). Boston: McGraw-Hill / Irwin. ISBN-10: 0073137677 (student); ISBN-10: 0073278637 (instructor)

**LEARNING RESOURCES:** None

**COURSE OUTCOMES:**

Upon successful completion of this course the student will be able to:

1. Apply merchandising concepts
2. Apply the concept of the time value of money
3. Apply annuity concepts to debt financing and investments
4. Create and use amortization tables for various debt instruments
5. Perform basic calculations for bonds and sinking funds
6. Apply basic capital budgeting computations
7. Evaluate business investment opportunities

## **MAJOR TOPICS:**

- 1.0 Merchandising
- 2.0 Interest Concepts
- 3.0 Debt amortization
- 4.0 Bonds and sinking funds
- 5.0 Capital budgeting
- 6.0 Foreign Exchange Currency Computations

## **LEARNING OBJECTIVES:**

The expected learning outcome is that the student will be able to:

### **1.0 Merchandising**

- 1.1 Explain factors which influence the price of a product
- 1.2 Analyze the effect of changes in overhead, profit margin percentage, markup percentage, and multiple discounts on the list price of an item
- 1.3 Explain how a company can use markups, discounts, and markdowns to market merchandise
- 1.4 Analyze the impact of markdowns and overhead costs on breakeven analysis
- 1.5 Apply the retail and gross profit methods to estimate the amount of ending inventory

### **2.0 Interest Concepts**

- 2.1 Explain how interest rates are determined
- 2.2 Distinguish between compound interest and simple interest as it relates to investing and financing
- 2.3 Apply simple interest and compound interest to compute interest rate, time period, principle, and payment using simple interest and compound interest
- 2.4 Analyze the impact of floating interest rates on payment amount
- 2.5 Analyze the impact of inflation on the interest rate
- 2.6 Explain how non-interest notes, promissory notes, commercial paper, T-bills, and demand loans are used in the financial environment
- 2.7 Apply the computation of future value before tax and after tax to various financial investments including savings accounts, gics, rrsp, tfsa, and Canada savings bonds using simple interest and compound interest

- 2.8 Apply the computation of the present values for various interest and non-interest bearing financial instruments such as T- bills, promissory notes, commercial paper and demand loans using simple interest and compound interest
- 2.4 Compare values computed for periodic, nominal, and effective rates of interest
- 2.5 Apply return on investment to select acceptable investments
- 2.6 Explain the capital budgeting process
- 2.7 Distinguish among the various types of annuities on the basis of term, payment date and conversion period
- 2.8 Apply the various types of annuity to estimate the maturity value, market value, and present value (or discounted value) of financial instruments such as preferred shares, loans, perpetual debt, and retirement planning when payments are constant or growing at a steady rate
- 2.9 Apply present value and future value computations to solve for the either the payment, interest rate or term of a financial instrument if unknown
- 2.10 Apply sensitivity analysis on total debt cost by changing the timing of a payment, size of payment, or interest rate

### **3.0 Debt Amortization**

- 3.1 Apply present value computations to construct a full and partial loan amortization schedule for simple and general annuities
- 3.2 Apply present value computations to loans and mortgages

### **4.0 Bonds and Sinking Funds,**

- 4.1 Discuss the types of bonds and their relevance to business including strip bonds and serial bonds
- 4.2 Explain why a company uses a sinking fund
- 4.3 Apply present value computations to determine the price of bonds including strip bonds purchased on the coupon date and between coupon dates including the amount of discount or premium
- 4.4 Discuss the implications of selling at a discount or premium on the book value of debt and debt covenants
- 4.5 Compute the yield to maturity of a bond
- 4.6 Calculate capital gain from an investment in bonds
- 4.7 Compute the annual cost of debt, and book value of sinking fund
- 4.8 Apply time value of money to debt retirement instruments including sinking funds
- 4.9 Compute the income yield, capital gain period, and rate of total return on stocks, and mutual funds
- 4.10 Explain non-financial factors in the business environment which affect the price of bonds

### **5.0 Capital Budgeting Decisions**

- 5.1 Explain business environmental factors effecting present value of an investment
- 5.2 Explain the capital budgeting process

- 5.3 Explain how a company determines hurdle rate and cost of capital rate
- 5.4 Apply the capital budgeting process to compute the fair market value of an Investment and determine if a project is acceptable
- 5.5 Apply sensitivity analysis on net present value of investment by changing cash flow estimate, discount rate, or cash flow timing
- 5.6 Apply internal rate of return to determine if a project should be accepted.
- 5.7 Determine the best combination of investments using capital rationing and capital budgeting
- 5.8 Explain the non-financial considerations when making business investment decisions
- 5.9 Evaluate lease versus purchase alternatives using financial and non-financial factors
- 5.10 Using financial and non-financial factors make investment decisions

## **6.0 Foreign Exchange Currency Computations**

- 6.1 Apply foreign exchange computation to compute the impact of changes in foreign currency exchange on import and export contracts
- 6.2 Explain the strategies to reduce the impact of changes in foreign exchange
- 6.3 Identify and discuss the business implications on foreign exchange rates in the global market place
- 6.4 Explain how a business can manage exchange rate risk

### **EVALUATION:**

Assignments/Quizzes	10%
Tests	40%
Final exam	50%

This course is supplementary eligible.

**DATE DEVELOPED:** July 2015

**DATE REVIEWED:**

**REVISION NUMBER:**

**DATE REVISED:**

*Note to instructor: Check PIRS to ensure this outline is the most current version.*