

**WILMINGTON UNIVERSITY  
COLLEGE OF BUSINESS  
BASIC COURSE INFORMATION**

**COURSE TITLE:** Financial Management

**COURSE NUMBER:** FIN 305

**I. RATIONALE:**

It has been said that to really understand a business you need to understand the numbers. The “numbers”, of course, are the financial numbers. This course, building upon a basic understanding of accounting, serves as the springboard for understanding the financial health of a corporation. Central to this understanding is the concept of cash flow, where it comes from and what affects it. While knowledge of accrual accounting is important, one pays bills from cash, not receivables. Preparing financial statements, something learned in accounting, is not the same as understanding what they are telling us. This course provides the initial building blocks for understanding the financial strengths and weaknesses of a corporation.

**II. MAJOR INSTRUCTIONAL GOALS:**

**GOAL A:**

The student will explain the role of finance and the operating environment of the firm, including interest rate fundamentals, the term structure of interest rates and yield curves.

**Learning Outcomes:** The student will:

- A-1 Define finance and the role finance plays in a corporation.
- A-2 Explain the difference between accounting and finance.
- A-3 Compare and contrast primary and secondary markets.
- A-4 Compute corporate tax by applying the appropriate marginal schedule, taking into account the impact of interest and dividends.
- A-5 Compare and contrast capital and money markets.
- A-6 Differentiate between maximizing profit and maximizing shareholder wealth.
- A-7 Discuss the role ethics plays in the typical American corporation.
- A-8 Understand the various components of interest rates.
- A-9 Understand the role the Federal Reserve plays in the determination of interest rates.
- A-10 Discuss the three theories relating to the Term Structure of Interest Rates and describe their impact on the slope and positioning of the Yield Curve.

**GOAL B:**

Be able to analyze a Statement of Cash Flow prepared on the accrual basis.

**Learning Outcomes:** The student will:

- B-1 Compare and contrast “sources and uses” of funds.
- B-2 Describe the three components of this statement.
- B-3 Provide an analysis of this statement to include observed strengths and weaknesses.

**GOAL C:**

Explain the Theory of the Time Value of Money and discuss its importance to factors affecting the corporation.

**Learning Outcomes:** The student will:

- C-1 Understand the concepts of present and future value.
- C-2 Compute present and future value using both single sum, annuities and mixed streams.
- C-3 Solve time value equations for payment, interest/discount rates and time.
- C-4 Compare and contrast nominal and effective annual rates of interest.

**GOAL D:**

Understand the relationship between risk and return.

**Learning Outcomes:** The student will:

- D-1 Compute an annual rate of return for various financial investment vehicles.
- D-2 Understand the concept of risk as it applies to variability of returns.
- D-3 Relate standard deviation of returns and coefficient of variation to financial risk.
- D-4 Relate the concept of correlation analysis to portfolio theory.
- D-5 Understand the concept of beta and its relationship to corporate decision making.
- D-6 Calculate a required rate of return utilizing both the equation and graphing forms of the Capital Asset Pricing Model (CAPM).
- D-7 Discuss the strengths and weaknesses of CAPM.

**GOAL E:**

Compute valuation of stocks, bonds; solve for yield to maturity.

**Learning Outcomes:** The student will:

- E-1 Understand the differences between debt and equity capital.
- E-2 Compute the value of a corporate bond under changing conditions of time, risk and interest rates.
- E-3 Compute the price of a share of stock assuming constant growth.

**GOAL F:**

Apply analytical techniques in the evaluation of financial statements; e.g. compute financial ratios, perform trend analysis.

**Learning Outcomes:** The student will:

- F-1 Understand the basic components of an annual report to shareholders and contrast this with the firm's 10-K.
- F-2 Understand the importance of differences between trend and cross sectional analysis.
- F-3 Compute basic financial ratios.
- F-4 Explain the significance of the data provided by the financial ratios.
- F-5 Prepare a common-sized income statement.
- F-6 Discuss the ability of the corporation to control costs based upon an analysis of the common-sized income statement.
- F-7 Identify the causes of change in ROE utilizing the DuPont System.
- F-8 Understand the factors underlying the magnitude of the financial leverage multiplier as used in the DuPont System.
- F-9 Prepare a detailed financial ratio analysis and present a reasoned financial evaluation of the firm.

**GOAL G:**

Evaluate the financial planning process with respect to the formulation of operating plans and budgets.

**Learning Outcomes:** The student will:

- G-1 Discuss the importance of an accurate sales forecast in preparing a cash budget.
- G-2 Prepare a cash budget with the appropriate accompanying schedules.
- G-3 Evaluate the budget taking into account uncertainty of projected cash flows.

**GOAL H:**

Understand how the Federal Reserve can affect interest rates through its use of the tools of monetary policy.

**Learning Outcomes:** The student will:

- H-1 Discuss the structure of the Federal Reserve.
- H-2 Understand how the three tools of monetary policy affect interest rates.
- H-3 Discuss how the implementation of monetary policy can affect corporate decision making.

**GOAL I:**

Be familiar with basic sources of financial information to include a variety of internet sites, The Wall Street Journal and Value Line.

**Learning Outcomes:** The student will:

- I-1 Identify and discuss sources of financial information available on the internet.
- I-2 Evaluate the information available on the internet sites identified in Learning Outcome I-1.
- I-3 Identify key items of financial information in the Wall Street Journal.
- I-4 Explain how the use of Value Line can assist in investment/company analysis.