

Tentative Course Outline FN201 Business Finance

Semester:	S/2019
Number of credits:	3 credits
Prerequisite:	AC201 Financial Accounting

Course Description:

The basic principles of financial management for business; the responsibilities of financial managers; maximization of enterprise value; financial analysis, cash flow analysis, financial planning, fundamental analysis on risk, return, and asset pricing models, time value of money, working capital policies, capital budgeting, financing mix, short-term and long-term financing, and the costs of capital

Course Objectives:

After completing this course, students are expected to be able to

- (1) explain factors influencing firm value, responsibilities of financial managers, goals of financial management, differences between a market price and an intrinsic value, and agency problems,
- (2) describe roles of financial markets,
- (3) list, differentiate, and choose sources of short-term and long-term funds that best fits a firm's circumstances and are consistent with the goal of financial management,
- (4) apply the concept of the time value of money,
- (5) compare and contrast various investment evaluating criteria, and make capital budgeting decisions that increase firm's value,
- (6) explain how financing mixes affect firm's value,
- (7) estimate a firm's weighted average cost of capital,
- (8) explain how distributions to shareholders affect firm's value,
- (9) analyze financial reports,
- (10) describe various working capital policies and apply the concept of cash cycles,
- (11) explain how to manage current assets,
- (12) forecast funds needed, and
- (13) apply the concepts of cost-volume-profit analysis and leverage analysis for financial planning.

Main Text:

Annie Koh, Ser-Keng Ang, Eugene F. Brigham and Michael Ehrhardt, **Financial Management: Theory and Practice**. (An Asia Edition), (Cengage Learning, Singapore: 2014). = **KABE** (we = **KABE's** Web Extension; wc = **KABE's** Web Chapter)

Recommended Texts & Materials:

Please visit <http://www.cengageasia.com> for supplementary materials.

Suggested Readings:

- Other corporate finance, financial management, business finance textbooks
- Local business newspapers, *The Asian Wall Street Journal*, *BusinessWeek*, *The Economist*, *Forbes*, *Fortune*, other financial and economic Websites
- Useful local Websites

http://www.set.or.th/en/index.html	http://www.sec.or.th/view/view.jsp?lang=en
http://www.tsi-thailand.org/	
http://www.bot.or.th/Thai/Pages/BOTDefault.aspx	
http://www.thaibma.or.th/	http://www.settrade.com
http://www.tfex.co.th/	Companies' websites

Grading Criteria:

Activity #	Assessment methods	Assessment week(s)	Proportion of assessment score
1	Assignments	1-15	20.0
2	Mid-term examination (closed-book, with 2 pages on 1 piece of A4 cheat sheet) Topics covered: 1 – 6 Date: March 3, 2020; Time: 03:00 – 06:00 p.m.	After 7	37.5
3	Final examination (closed-book, with 2 pages on 1 piece of A4 cheat sheet) Topics covered: 7 – 13 mainly Date: May 12, 2020; Time: 09:00 a.m. – 12:00 noon	After 15	42.5
Total			100.0

A remark on grading: A final grade is determined according to the following criterion.

<u>Total Points</u>	<u>0-49</u>	<u>50-54</u>	<u>55-59</u>	<u>60-66</u>	<u>67-74</u>	<u>75-84</u>	<u>85-89</u>	<u>90-100</u>
Grade	F	D	D+	C	C+	B	B+	A

Note:

Students are encouraged to (1) review accounting concepts covered in AC 201 Financial Accounting, (2) complete required reading assignments before attending the class, (3) participate and ask questions in the class, and (4) review the concepts discussed in the class by doing practice problem sets.

Expected Learning Outcomes (Curriculum B.E. 2556):

1. Morality and Ethics

Applicability	Learning Goals	Expected Learning Outcomes
●	1.1 Students possess honesty, sacrifice, self-, social-, and environmental responsibility.	1.1 Students commit no academic dishonesty, are punctual and comply with the rules and regulations of the institution and society at large.
○	1.2 Students value “sufficiency” theory and adapt it in life path by adhering to adequacy, rationale, and immunity development.	1.2 Students are able to apply the concept of risk-return tradeoff.
●	1.3 Students value disciplines, respect, and comply with the rules and regulations of the institution and society at large.	1.3 Students are punctual and comply with the rules and regulations of the institution and society at large.
N/A	1.4 Students acquire knowledge related to business morality and ethics, and be able to handle ethical dilemma with integrity.	1.4 N/A

2. Knowledge

Applicability	Learning Goals	Expected Learning Outcomes
N/A	2.1 Students acquire knowledge on and understand the important concepts in business management.	2.1 N/A
●	2.2 Students acquire knowledge on and understand the important social and science concepts related to business management.	2.2 Students understand various concepts in accounting, economics, mathematics, and statistics that are relevant to financial decision makings.
○	2.3 Students acquire knowledge on and understand the important concepts related to business processes, planning, corporate structures, operations, control, performance evaluation and contingency plan to suit the circumstances.	2.3 Students are able to make sound financial decisions that enhance a firm's value.
●	2.4 Students acquire the knowledge on academic advancement and professional development in business management including the understanding of the situational adaptability and its impacts on business.	2.4 Students are informed about academic advancement and professional development in finance as well as its impacts on business.

3. Intellectual Development

Applicability	Learning Goals	Expected Learning Outcomes
●	3.1 Students are able to search and process information and utilize various concepts appropriately in a given circumstance in order to obtain relevant information to benefit in the rapidly changing business environment.	3.1 Students are able to obtain relevant information for financial decision makings.
N/A	3.2 Students are able to think systematically, rationally and creatively and to integrate knowledge from other disciplines to solve the problems in business and other settings.	3.2 N/A
N/A	3.3 Students are able to collectively propose solutions to problems at hand and analyze the impacts of the proposed solutions and be able to choose the solution that is appropriate to a given situation to ensure business competitive advantages	3.3 N/A

4. Interpersonal Skills and Responsibilities

Applicability	Learning Goals	Expected Learning Outcomes
●	4.1 Students are able to work in team, possess interpersonal skills and leadership skills, and be professionally adaptive to a given situation.	4.1 Students are able to work in team with no free-rider problems.
N/A	4.2 Students are creative and constructively criticize to solve problem of the team.	4.2 N/A

○	4.3 Students are responsible in lifelong learning to develop self and professional career.	4.3 Students are able to develop a lifelong learning skill.
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5. Quantitative Analysis, Communication and Information Technology

Applicability	Learning Goals	Expected Learning Outcomes
●	5.1 Students are able to apply mathematics, statistics, quantitative analysis in analyzing and making decisions in business and daily life.	5.1 Students are able to apply mathematics, statistics, and quantitative analysis in financial decision makings.
○	5.2 Students are able to efficiently communicate in Thai and foreign languages that are relevant in doing business.	5.2 Students participate in the class, hand in assignments, and answer quiz and exam questions using effective verbal and written communication skills.
○	5.3 Students are able to explain the issues and make the issues clear in verbal or writing, and be able to choose the appropriate pattern of communication for different groups of audience both in business context and in other contexts.	5.3 Students are able to ask clear questions and raise issues in and outside the class with appropriate communicative approaches for classmates and the instructor.
N/A	5.4 Students are able to utilize the information technologies or others to support the business operations.	5.4 N/A

Expected Learning Outcomes (Curriculum B.E. 2561):

1. Morality and Ethics

Applicability	Learning Goals	Expected Learning Outcomes
●	1.5 Students possess honesty, sacrifice, self-, social-, and environmental responsibility.	1.1 Students commit no academic dishonesty, are punctual and comply with the rules and regulations of the institution and society at large.
N/A	1.6 Students value “sufficiency” theory and adapt it in life path by adhering to adequacy, rationale, and immunity development.	1.2 N/A
N/A	1.7 Students value disciplines, respect, and comply with the rules and regulations of the institution and society at large.	1.3 N/A
N/A	1.8 Students acquire knowledge related to business morality and ethics, and be able to handle ethical dilemma with integrity.	1.4 N/A

2. Knowledge

Applicability	Learning Goals	Expected Learning Outcomes
N/A	2.2 Students acquire knowledge on and understand the important concepts in business management.	2.5 N/A
●	2.6 Students acquire knowledge on and understand the important social and science concepts related to business management.	2.2 Students understand various concepts in accounting, economics, mathematics, and statistics that are relevant to financial decision makings.
N/A	2.7 Students acquire knowledge on and understand the important concepts related to business processes, planning, corporate structures, operations, control, performance evaluation and contingency plan to suit the circumstances.	2.3 N/A
N/A	2.8 Students acquire the knowledge on academic advancement and professional development in business management including the understanding of the situational adaptability and its impacts on business.	2.4 N/A

3. Intellectual Development

Applicability	Learning Goals	Expected Learning Outcomes
●	3.4 Students are able to search and process information and utilize various concepts appropriately in a given circumstance in order to obtain relevant information to benefit in the rapidly changing business environment.	3.1 Students are able to obtain relevant information for financial decision makings.

N/A	3.5 Students are able to think systematically, rationally and creatively and to integrate knowledge from other disciplines to solve the problems in business and other settings.	3.2 N/A
N/A	3.6 Students are able to collectively propose solutions to problems at hand and analyze the impacts of the proposed solutions and be able to choose the solution that is appropriate to a given situation to ensure business competitive advantages	3.3 N/A

4. Interpersonal Skills and Responsibilities

Applicability	Learning Goals	Expected Learning Outcomes
●	4.4 Students are able to work in team, possess interpersonal skills and leadership skills, and be professionally adaptive to a given situation.	4.1 Students are able to work in team with no free-rider problems.
N/A	4.5 Students are creative and constructively criticize to solve problem of the team.	4.2 N/A
N/A	4.6 Students are responsible in lifelong learning to develop self and professional career.	4.3 N/A

5. Quantitative Analysis, Communication and Information Technology

Applicability	Learning Goals	Expected Learning Outcomes
●	5.5 Students are able to apply mathematics, statistics, quantitative analysis in analyzing and making decisions in business and daily life.	5.1 Students are able to apply mathematics, statistics, and quantitative analysis in financial decision makings.
N/A	5.6 Students are able to efficiently communicate in Thai and foreign languages that are relevant in doing business.	5.2 N/A
N/A	5.7 Students are able to explain the issues and make the issues clear in verbal or writing, and be able to choose the appropriate pattern of communication for different groups of audience both in business context and in other contexts.	5.3 N/A
○	5.8 Students are able to utilize the information technologies or others to support the business operations.	5.4 Students are able to use one spreadsheet program to support financial decision makings.

Tentative Class Schedule:

Session; Date & Time (2020)	Topics	Activities/ Text & Materials/ Media
#1: January 14	(1) An Overview of Business Finance Course overview; corporate life cycle; financial managers' responsibilities; the primary objectives of business enterprises: value maximization; firm value model; ten axioms of finance; business ethics; agency problems	- A lecture, a discussion, and an assignment Required reading KABE 1, 13; LN #01
#2: January 21	(2) Financial Environments and Markets Cash flows between firms and financial markets; capital formation process; financial markets and institutions; financial securities; the cost of money; the determinants of market interest rates	- A lecture, a discussion, and an assignment Required reading KABE 1, 5; LN #02
#3: January 28	(3) Financial Reports and Analysis of Financial Reports Financial statements and reports*: the statement of financial position*, the income statement*, the statement of changes in stockholders' equity*, statement of cash flows*; MVA® and EVA®; financial analysis: liquidity ratios, asset management ratios, debt management ratios, profitability ratios, market value and other ratios; trend analysis, common-size analysis, and percentage-change analysis; tying ratios together: The Du Pont Equation; comparative ratios and benchmarking; uses and limitations of ratio analysis; looking beyond the numbers	- A lecture, a discussion, an assignment, and Excel Required reading KABE 2, 3; LN #03 * This is a self-study. Please review AC 201 Financial Accounting.
#4: February 4	(4) Financial Forecasting Overview of financial planning; sales forecast; additional-funds-needed (AFN) method; forecasted-financial-statements method; an adjustment for a financing feedback; forecasting when the ratios change	- A lecture, a discussion, and an assignment Required reading KABE 12; LN #04 * Please review AC 201 Financial Accounting.
#5: February 11	(5) Cost-Volume-Profit (CVP) and Leverage Analyses Types of costs and their behaviors; relationships among costs, production units, and profits; operating break-even points (units and baht); financial break-even points (units and baht); total break-even points (units and baht); operating leverage and risk; financial leverage and risk; combined (or total) leverage and risk; risk measurement: degree of operating leverage (DOL), degree of financial leverage (DFL), degree of combined (or total) leverage (DCL or DTL); relationships between break-even points and degrees of leverage; applications of CVP and leverage analyses in profit planning	- A lecture, a discussion, an assignment, and Excel Required reading KABE 15, we15A; LN #05

Session; Date & Time (2020)	Topics	Activities/ Text & Materials/ Media
#6: February 18 #7: February 25	(6) Time Value of Money Time lines; types of cash flows: single sums, annuities, perpetuities, uneven or irregular cash flows, growing perpetuities; future values and present values of single sums, annuities (regular, delayed, and due), and irregular cash flows; present values of perpetuities and growing perpetuities (regular, delayed, and due); finding the interest rate; finding the number of years; annuities; the rule of 72; finding annuity and perpetuity payments; fractional time periods, amortized loans; flat-rate or add-on-interest loans; bond valuation*; stock valuation*	- A lecture, a discussion, assignments, and Excel Required reading KABE 4, we4A, we4B, 5, 7; LN #06 * Valuing bonds and stocks is discussed fully in FN 312 Investments.
Mid-term exam (Topics covered: 1 - 6)		
#8: March 10 #9 (first half): March 17	(7) The Basics of Capital Budgeting: Evaluating Cash Flows* An overview; good characteristics of investment evaluating criteria; Net Present Value (NPV); Internal Rate of Returns (IRR); Modified Internal Rate of Return (MIRR); Profitability Index (PI); Payback Period (PBP); Discounted Payback Period (DPP); assumptions of investment evaluating criteria; NPV profiles; advantages and disadvantages of each investment evaluating criterion; decisions used in practice	- A lecture, a discussion, assignments, and Excel Required reading KABE 10, we10A; LN #07 * Cash flow estimation and risk analysis is discussed fully in FN 311 Financial Management.
#9 (second half): March 17 #10 (first half): March 24	(8) Short-term Financing Short-term financing: advantages and disadvantages; accruals and trade credit, the cost of trade credit; short-term bank loans; the cost of bank loans: simple interest, discount interest, effects of compensating balances, add-on interest; choosing a bank; commercial papers; use of security in short-term financing; pledging of accounts receivable; factoring; inventory blanket lien; trust receipt; warehouse receipt financing	- A lecture, a discussion, and assignments Required reading KABE 16, we16A, wc27; LN #08 Please review topic (2).
#10 (second half): March 24 #11 (first half): March 31	(9) Long-term Financing (self-study mainly) Long-term loans; debentures and bonds: key characteristics, types, advantages and disadvantages of using debt; preferred stock: key characteristics, types, and advantages and disadvantages of prefer stock; common stock: key characteristics, legal rights and privileges, types, and advantages and disadvantages of common stocks; pre-emptive rights; warrants: key characteristics	- A lecture, a discussion, and assignments Required reading KABE 5, we5A, we5B, 7, 20; LN #09 Please review topic (2).
#11 (second half): March 31 #12: April 7	(10) Capital Structure and the Cost of Capital A preview of capital structure issues; the concepts of the cost of capital; costs of debt, preferred stock, common equity*: the discounted cash flow (DCF) approach, bond-yield-plus-risk-premium approach; weighted average cost of capital (WACC); the marginal cost of capital (MCC); the MCC schedule; adjusting the cost of capital for risk; flotation costs; some problem areas in the cost of capital; effects of debt financing on the WACC	- A lecture, a discussion, assignments, and Excel Required reading KABE 6, 7, 9, we9A, 15; LN #10 * The CAPM approach is covered in FN 311 Financial Management.
Session; Date & Time (2020)	Topics	Activities/ Text & Materials/ Media
#13: April 21	(11) Distributions to Shareholders* An overview of cash distributions; procedures for cash distributions; cash distributions and firm value; types of dividend policies: stable, predictable dividends, constant dividend payout ratio; low-regular-plus-extras dividends, residual dividends; setting the target distribution level; distributions through stock repurchases; comparison of	- A lecture, a discussion, and an assignment Required reading KABE 14; LN #11 * Theories on cash dividends

	dividends and repurchases; other factors influencing distributions; stock splits and stock dividends	and stock repurchases are covered in FN 311 Financial Management.
#14: April 28	(12) Working Capital Policies The cash conversion cycle: an illustration, shortening cash conversion cycle, benefits; alternative net operating working capital policies: relaxed, restricted, moderate; alternative short-term financing policies: maturity-matching approach, aggressive approach, conservative approach	- A lecture, a discussion, an assignment, and Excel Required reading KABE 16; LN #12
#15: May 5	(13) Current Asset Management Cash; motives for holding cash; cash budget; short-term investments; key characteristics of short-term investments; an overview of receivables and inventory management	- A lecture, a discussion, an assignment, and Excel Required reading KABE 16; LN #13
Final exam (Topics covered: 7 – 13, mainly)		