

Course Outline

FN 201 Business Finance (046401)

Semester 1st/2023 (August 15 – December 4, 2023)

Number of credits: 3 credits (3-0-6)

Prerequisite: AC201 Financial Accounting or AC291 Essentials of 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

Instructor:

Name: Obrom Chaowalerd (อบรม เชาว์เลิศ)
Office: BA 552, 5th Floor, East Wing, Thammasat Business School
Office hours: Thursday, 08:00 – 09:00 a.m. or by appointment
Phone: (083) 840-0060 (from dawn to dusk on weekdays)
Message: MS teams
Course Coordinator: The instructor

Teaching Assistant: None or TBA

Class Time, venue, and platforms:

Section: 046401
Day: Thursday
Time: 01:00 – 04:00 p.m.
Venue: Room #206, Faculty of Economics
Class platforms: (1) MS Teams: **FN201-23F-BE** (communication and class materials)
(2) Zoom (live lectures concurrently with the on-site ones)
(3) YouTube (recorded lectures for self-review)

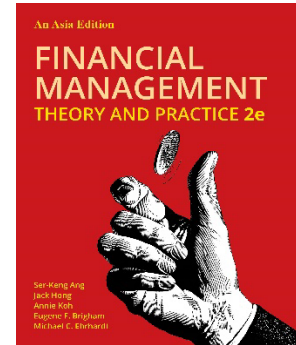
Course Objectives:

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

- (1) explain factors influencing firm value, responsibilities of financial managers, a primary goal of financial management, differences between a market price and an intrinsic value,
- (2) explain the 10 principles of finance,
- (3) analyze financial reports,
- (4) apply the concept of the time value of money,
- (5) describe roles of financial markets,
- (6) list and differentiate types of assets, funds and financing policies and choose a suitable financing approach,
- (7) list, differentiate, and select appropriate sources of short-term and long-term funds,
- (8) explain how distributions to shareholders affect firm's value and design a distribution policy,
- (9) explain how financing mixes affect firm's value and estimate a firm's weighted average cost of capital,
- (10) compare and contrast various investment evaluating criteria, and make capital budgeting decisions,
- (11) apply the concepts of cost-volume-profit analysis and leverage analysis for financial planning (optional),
- (12) explain how to manage current assets (optional), and
- (13) forecast short-term financial needs (optional).

Main Text:

Ser-Keng Ang, Jack Hong, Annie Koh, Eugene F. Brigham and Michael Ehrhardt, **Financial Management: Theory and Practice**. (An Asia Edition), 2nd Edition, (Cengage Learning, Singapore: 2021). = **FM** (we = **FM**'s Web Extension; wc = **FM**'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>
 - <http://www.sec.or.th>
 - <http://www.tsi-thailand.org>
 - <http://www.bot.or.th>
 - <http://www.thaibma.or.th>
 - <http://www.settrade.com>
 - <http://www.tfex.co.th>
 - Companies' websites

Grading Criteria:

Activity #	Assessment methods	Assessment session(s)	Proportion of assessment score
1	Individual assignments (homework)	1-15	5
2	A group project (analysis of financial reports)	6	10
3	Mid-term examination (Closed-book, with 2 pages on 1 piece of A4 cheat sheet allowed) Topics covered: 1 – 5 Date: Thursday, October 5, 2023; Time: 03:00 – 05:30 p.m.	After 7	40
4	Final examination (Closed-book, with 2 pages on 1 piece of A4 cheat sheet allowed) Topics covered: 6 – 10 mainly Date: Thursday, December 21, 2023; Time: 09:00 a.m. – 12:00 noon	After 15	45
		Total	100

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

<u>Total Points</u>	<u>0-39</u>	<u>40-44</u>	<u>45-49</u>	<u>50-59</u>	<u>60-69</u>	<u>70-79</u>	<u>80-89</u>	<u>90-100</u>
Grade	F	D	D+	C	C+	B	B+	A

Notes:

- (1) Students are encouraged to
 - a. review accounting concepts covered in AC201 Financial Accounting,
 - b. complete required reading assignments before attending the class,
 - c. participate and ask questions in the class,
 - d. review the concepts discussed in the class by doing practice problem sets, and
 - e. reach out to the instructor should help is needed.
- (2) Homework assignment scores are finally based on attempt, not correct answers.
- (3) Form a group of 4 members to work on the group assignment. If any group needs 3 or 5 members because of remainders, please notify me for an approval.
- (4) Group assignment scores are based mainly on attempt and completeness. However, final scores could be adjusted by self- and peer evaluation.
- (5) Further detailed information about the examinations will be notified. Moreover, should remote examinations be required, additional instructions about them will be provided.

Tentative Class Schedule:

Session; Date & Time (2023)	Topics	Activities/ Text & Materials/ Media
#1: August 17	(1) <u>An Overview of Business Finance</u> Course overview; finance; business finance; corporate life cycle; financial managers' responsibilities: working capital management, capital budgeting analysis, capital structure decisions; objectives of business enterprises: value maximization; firm's value model	- A lecture, a discussion, a video clip, and an assignment Required reading FM 1; LN #1
#2: August 24	(2) <u>The Axioms of Business Finance</u> Ten axioms of financial management: the risk-return trade-off*; different types of risk*; the time value of money; cash flows**; incremental cash flows**; taxes; the curse of competitive markets; efficient financial markets*; the agency problems; business ethics	- A lecture, a discussion, a video clip, and an assignment Required reading FM 1, 2, 4, 6, 11, 13; LN #2 * In-depth analysis is discussed fully in FN312 Investments. ** In-depth analysis is discussed fully in FN311 Financial Management.
#3: August 31	(3) <u>Analysis of Financial Reports*</u> 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; operating cycle and cash cycle: concepts and applications; comparative ratios and benchmarking; uses and limitations of ratio analysis; looking beyond the numbers; an operating cycle, a cash cycle	- A lecture, a discussion, a video clip, an assignment, and Excel Required reading FM 2, 3; LN #3 * This is mainly a self-study. ** Please review AC201 Financial Accounting.
#4: September 7 #5: September 14 #6: September 21	(4) <u>The Time Value of Money</u> The time value of money; time lines; various types of cash flows; 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 and the number of years; the rule of 72; finding annuity and perpetuity payments; fractional time periods; asynchronous frequencies of cash flows and compounding; amortized loans; flat-rate or add-on-interest loans; introductory bond and stock valuation*; basic financial planning	- A lecture, a discussion, a video clip, assignments, and Excel Required reading FM 4, 5, 7, 20; LN #4 * Valuing bonds and stocks is discussed fully in FN312.
#6: September 28	(5) <u>Financial Environments and Markets</u> 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 FM 1, 5; LN #5 * if time permits only
Mid-term exam (Topics covered: 1 - 5)		

Session; Date & Time (2023)	Topics	Activities/ Text & Materials/ Media
#8: October 12 (first half)	(6) Financing Policy Types of assets: working capital versus non-current assets; variable versus permanent assets; operating versus non-operating assets; spontaneous versus non-spontaneous assets; types of funds: short-term versus long-term (or permanent) funds; operating versus non-operating short-term funds; non-interest-bearing versus interest-bearing short-term funds; spontaneous versus non-spontaneous funds; financing policies: maturity matching or hedging or self-liquidating; conservative; aggressive	- A lecture, a discussion, and an assignment Required reading FM 16, wc27; LN #6
#8: October 12 (second half) #9: October 19	(7) Sources of Short-Term and Long-Term Funds* Short-term sources of funds: types and pros and cons; accruals and trade credit; types of credit terms; the implicit cost of trade credit; short-term bank loans: types and key characteristics; criteria used when choosing a bank**; commercial papers: types, key characteristics, and pros and cons; use of security (AR and inventory) in short-term financing**: types, key characteristics and pros and cons; major types of long-term funds; long-term loans: key characteristics, types, pros and cons; debentures and bonds: key characteristics, types, pros and cons; lease financing; a conceptual comparison between buying and leasing assets preferred stock: key characteristics, types, and advantages and disadvantages; common stock: key characteristics, types, and pros and cons, pre-emptive rights; warrants: key characteristics and types; retained earnings	- A lecture, video clips, a discussion, and an assignment Required reading FM 5, 7, 18, 20, 16, wc27; LN #7a, LN #7b * Please review topic # (5). Part of this topic, sources of long-term funds (LN #7b), is for self-study. ** Optional
#10: October 26	(8) Distributions to Shareholders: Dividends and Repurchases* 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 dividends and repurchases; other factors influencing distributions; stock splits and stock dividends: mechanisms, motivations, and effects on shareholders' wealth	- A lecture, a discussion, video clips, and an assignment Required reading FM 14; LN #8 * Theories on cash distributions are covered in FN311.
#11: November 2 #12: November 9 #13: November 16 (first half)	(9) 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, judgmental-risk-premium approach; weighted average cost of capital (WACC); the marginal cost of capital (MCC); the MCC schedule; break points; adjusting the cost of capital for risk; flotation costs; some problem areas in the cost of capital; effects of debt financing on the WACC and firm's value (the Trade-Off Model only)	- A lecture, a discussion, video clips, an assignment, and Excel Required reading FM 9, 15; LN #9 * Please review topics # (4), (6), (7), and (8). ** Theories on capital structure are covered in FN311. *** The CAPM approach is covered in FN311.
#13: November 16 (second half) #14: November 23 #15: November 30	(10) 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; comparing projects with unequal scales and lives: a replacement chain and an equivalent annual annuity; optimal capital budget; decisions used in practice	- A lecture, a discussion, assignments, and Excel Required reading FM 10; LN #10 * Cash flow estimation and risk analysis are discussed fully in FN311.

Session; Date & Time (2023)	Topics	Activities/ Text & Materials/ Media
Optional topics		
	<p>(11) 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</p>	<p>- A lecture, a discussion, an assignment, and Excel Required reading FM 15; LN #11</p> <p>* Optional; Some concepts are covered in topic #9.</p>
	<p>(12) Financial Forecasting* Overview of financial planning; sales forecast; additional-funds-needed (AFN) method; forecasted-financial-statements method; an adjustment for financing feedback; forecasting when the ratios change</p>	<p>- A lecture, a discussion, and an assignment Required reading FM 12; LN #12</p> <p>* Optional; It is covered fully in FN311. If covered in FN201, please review AC201.</p>
	<p>(13) Supply Chains and Working Capital Management* 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</p>	<p>- A lecture, a discussion, an assignment, and Excel Required reading FM 16; LN #13</p> <p>* Some parts are covered in topics (1), (3), and (6). In-depth analysis is fully covered in FN311.</p>
	<p>(14) 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</p>	<p>- A lecture, a discussion, an assignment, and Excel Required reading FM 16, wc27, wc28; LN #14</p> <p>* Optional</p>
Final exam (Topics covered: 6 – 10, mainly and 11 – 14 if covered in the class)		

ACADEMIC CALENDAR & HOLIDAY SEMESTER 1/2023

Semester 1/2023 (August 15 – December 4, 2023)	
<i>the TU Office of the Registrar (TU REG) will process the registration (semester 1/2023) for all BE students who have completed the pre-registration via BE Portal.</i>	July 17 – 20, 2023
Tuition Fee Payment Period (Via TU Greats App)	July 21 – August 11, 2023
Create Plan from Quota via TU Greats App (*1D.66)	August 1 – 9, 2023
Registration via TU Greats App (*1D.66)	August 10, 2023
Classes Begin	August 15, 2023
Add-drop period	August 15 – 28, 2023 <i>(from 9.00 AM of August 15 to 10.30 PM of August 28)</i>
Tuition Fee Payment Period (Via TU Greats App)	August 15 – 29, 2023 <i>(9 AM - 10.30 PM)</i>
Mid-term Examination Period	October 1 – 7, 2023
<i>H.M. King Bhumibol Adulyadej The Great Memorial Day*</i>	<i>October 13, 2023</i>
<i>King Chulalongkorn's Day*</i>	<i>October 23, 2023</i>
Withdrawal period with "W" on record	September 4 – October 22, 2023 <i>(from 9.00 AM of September 4 to 10.30 PM of October 22)</i>
Special Withdrawal with "w" on record	October 24 – November 20, 2023
Last day of class for Semester 1/2023	December 4, 2023
Final exam period	December 12 – 23, 2023
<i>H.M. King Bhumibol Adulyadej The Great's Birthday*</i>	<i>December 5, 2023</i>
<i>Constitution Day*</i>	<i>December 10, 2023</i>
<i>Substitution for Constitution Day*</i>	<i>December 11, 2023</i>
Submitting Forms for Degree Conferral	August 15 – 28, 2023

Remark * Holiday, No classes during this period
Updated: July 4, 2023

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

1. Morality and Ethics				2. Knowledge				3. Intellectual Development			4. Interpersonal Skills and Responsibilities			5. Quantitative Analysis, Communication, and Information Technology			
1	2	3	4	1	2	3	4	1	2	3	1	2	3	1	2	3	4
●					●			●			●			●			○

	1. Morality and Ethics	Expected Learning Outcomes						
●	1.1 Possess honesty, sacrifice, self-, social-, and environmental responsibility.	1.1 Students adhere to ethical codes and practices for finance profession--they are expected to commit no academic dishonesty. <u>An assessment measure:</u> A number of academic dishonesty cases (M1.1) <u>An assessment rubric:</u> <table border="1"> <tr> <td>Unsatisfactory (U)</td> <td>Satisfactory (S)</td> </tr> <tr> <td>M1.1 ≥ 0</td> <td>M1.1 = 0</td> </tr> </table>	Unsatisfactory (U)	Satisfactory (S)	M1.1 ≥ 0	M1.1 = 0		
Unsatisfactory (U)	Satisfactory (S)							
M1.1 ≥ 0	M1.1 = 0							
N/A	1.2 Value “sufficiency” theory and adapt it in life path by adhering to adequacy, rationale, and immunity development.	1.2 N/A (not a learning outcome of this class)						
N/A	1.3 Value disciplines, respect, and comply with the rules and regulations of the institution and society at large.	1.3 N/A (not a learning outcome of this class)						
N/A	1.4 Acquire knowledge related to business morality and ethics and be able to handle ethical dilemma with integrity.	1.4 N/A (not a learning outcome of this class)						
	2. Knowledge	Expected Learning Outcomes						
N/A	2.1 Acquire knowledge on and understand the important concepts in business management.	2.1 N/A (not a learning outcome of this class)						
●	2.2 Acquire knowledge on and understand the important social and science concepts related to business management.	2.2 Overall, students achieve the class objectives (on page 1). <u>An assessment measure:</u> The percentage of enrolled students who earn final grades equal to a C and above (M2.2) <u>An assessment rubric:</u> <table border="1"> <tr> <td>Unsatisfactory (U)</td> <td>Satisfactory (S)</td> <td>Outstanding (O)</td> </tr> <tr> <td>M2.2 < 75%</td> <td>75% ≤ M2.2 < 90%</td> <td>90% ≤ M2.2</td> </tr> </table>	Unsatisfactory (U)	Satisfactory (S)	Outstanding (O)	M2.2 < 75%	75% ≤ M2.2 < 90%	90% ≤ M2.2
Unsatisfactory (U)	Satisfactory (S)	Outstanding (O)						
M2.2 < 75%	75% ≤ M2.2 < 90%	90% ≤ M2.2						
N/A	2.3 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 (not a learning outcome of this class)						

N/A	2.4 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 (not a learning outcome of this class)						
	3. Intellectual Development	Expected Learning Outcomes						
●	3.1 Be 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 search and utilize a company's financial reports to evaluate its financial health. <u>An assessment measure:</u> The percentage of enrolled students who could successfully complete an assignment (M3.1) <u>An assessment rubric:</u>						
		<table border="1"> <tr> <td>Unsatisfactory (U)</td> <td>Satisfactory (S)</td> <td>Outstanding (O)</td> </tr> <tr> <td>M3.1 < 75%</td> <td>75% ≤ M3.1 < 90%</td> <td>90% ≤ M3.1</td> </tr> </table>	Unsatisfactory (U)	Satisfactory (S)	Outstanding (O)	M3.1 < 75%	75% ≤ M3.1 < 90%	90% ≤ M3.1
Unsatisfactory (U)	Satisfactory (S)	Outstanding (O)						
M3.1 < 75%	75% ≤ M3.1 < 90%	90% ≤ M3.1						
N/A	3.2 Be 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 (not a learning outcome of this class)						
N/A	3.3 Be 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 (not a learning outcome of this class)						
	4. Interpersonal Skills and Responsibilities	Expected Learning Outcomes						
●	4.1 Be 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 with colleagues for a group class assignment without serious team conflict nor free riders. <u>An assessment measure:</u> An incident of an intense dispute (M4.1a) and an incident of a free rider (M4.1b) <u>An assessment rubric:</u>						
		<table border="1"> <tr> <td>Unsatisfactory (U)</td> <td>Satisfactory (S)</td> <td>Outstanding (O)</td> </tr> <tr> <td>M4.1a ≥ 1 and M4.1b ≥ 1</td> <td>Either M4.1a ≥ 1 or M4.1b ≥ 1</td> <td>M4.1a = 0 and M4.1b = 0</td> </tr> </table>	Unsatisfactory (U)	Satisfactory (S)	Outstanding (O)	M4.1a ≥ 1 and M4.1b ≥ 1	Either M4.1a ≥ 1 or M4.1b ≥ 1	M4.1a = 0 and M4.1b = 0
Unsatisfactory (U)	Satisfactory (S)	Outstanding (O)						
M4.1a ≥ 1 and M4.1b ≥ 1	Either M4.1a ≥ 1 or M4.1b ≥ 1	M4.1a = 0 and M4.1b = 0						
N/A	4.2 Be creative and constructively criticize to solve problem of the team.	4.2 N/A (not a learning outcome of this class)						
N/A	4.3 Be responsible in lifelong learning to develop self and professional career.	4.3 N/A (not a learning outcome of this class)						
	5. Quantitative Analysis, Communication, and Information Technology	Expected Learning Outcomes						
●	5.1 Be 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, quantitative analysis to make a financial decision. <u>An assessment measure:</u> The percentage of enrolled students who earn 50% of full points of a relevant question about the concept of the time value of money (M5.1) <u>An assessment rubric:</u>						

		Unsatisfactory (U)	Satisfactory (S)	Outstanding (O)
		M5.1 < 50%	50% ≤ M5.1 < 90%	90% ≤ M5.1
N/A	5.2 Be able to efficiently communicate in Thai and foreign languages that are relevant in doing business.	5.2 N/A (not a learning outcome of this class)		
N/A	5.3 Be 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 (not a learning outcome of this class)		
○	5.4 Be able to utilize the information technologies or others to support the business operations.	5.4 Students are able to use 1 spreadsheet program. <u>An assessment measure:</u> The percentage of enrolled students who could use Excel to solve a financial problem (M5.4) <u>An assessment rubric:</u>		
		Unsatisfactory (U)	Satisfactory (S)	Outstanding (O)
		M5.4 < 75%	75% ≤ M5.4 < 90%	90% ≤ M5.4
