Business Finance (FNSBLW 344)
Suggestions for Improving Assessment Results
Summer 2006

Goal: Students should be sound decision makers.

Faculty will:
- Review and standardize the key topics needed to be covered in different sections of the Business Finance course.
- Review assessment questions to be sure the wording is clear to students.
- Include more practice questions as in-class exercises.

Using the idea that faculty will review and standardize key topics, the following learning goals must be included on all syllabi in Business Finance 344:

<u>Learning goals for the course are:</u>
1) To build students' knowledge of the finance function in business (terminology and essential principles)
2) To build students' knowledge of financial theory regarding:
   a. valuation
   b. interest rates
   c. capital budgeting
   d. capital structure
   e. working capital management
3) To build students' analytical skills (applying appropriate methodology and mathematical concepts to data) so that they can make sound business decisions

Assessment of these goals shall be by written examination.

All sections, all instructors, shall cover the following topics (other topics are discretionary)

1) An overview of financial markets and institutions: bonds versus preferred stock versus common stock; organized exchanges; over-the-counter markets; money market versus capital markets; the securities trade execution process; buying long and selling short; margin trading; basic differences between financial institutions; mutual funds.

2) Understanding financial statements: the structure of the balance sheet and income statement; the importance of taxes; measuring cash flow versus income; ratio analysis.

3) Time value of money: using a financial calculator for compounding, present value, annuities; compounding more than once per year; finding FV, PV. N, I, or PMT, and interest rate risk.
{This is the most important topic in the course and should be thoroughly covered!}

4) Valuation of securities: bonds, preferred stock, and common stock (using basic present value models).

5) Measuring risk: probability distributions and summary measures (mean, mode, standard deviation, and variance); diversifiable risk versus non-diversifiable risk; standard deviation versus beta; a very limited overview of the CAPM.

6) Measuring the WACC cost of capital.

7) The basics of capital budgeting: estimating relevant cash flows, NPV and IRR for simple projects (skip multiple IRRs, non-conventional cash flows, ranking problems for mutually exclusive projects, and inflation).

8) The effects of financial leverage on profitability and risk.

9) The residual theory of dividends.

10) The importance of exchange rates for international finance .