

COURSE CODE: BUAD 296

COURSE TITLE: Long Term Capital Management

Calendar Description

An introduction to the long-term treasury functions of business: namely, the raising of long-term capital and the evaluation of proposals for the investment of this capital. Topics include the time value of money; risk versus return; the cost of capital; capital budgeting; leasing versus purchasing; capital markets; financing with common stock, preferred stock, bonds, and retained earnings; convertible securities and warrants (also offered by Distance Education).

Prerequisite(s): MATH 114

Co-requisite(s): None

Prerequisite For: BUAD 350, 461

Substitutable Courses: None

Graduation Requirement: BBA, Finance Specialty - Elective
Diploma, Accounting Option - Elective

Transfer Credit: CPA (credit with BUAD 195), PMAC

Special Notes: None

Credits: 3

Hours per Week: 3

Originally Developed: 1994

EDCO Approval: March 2017

CHAIR'S APPROVAL: 

Learning Outcomes

- Outcome Upon completion of this course students will be able to:
- 1 **Evaluate** the funding of large capital projects by calculating the weighted average cost of capital under different corporate structures.
 - 2 **Use Net Present Value and Internal Rate of Return techniques** to evaluate proposed capital projects as well as bond refunding and lease-versus-purchase decisions.
 - 3 **Evaluate risk** using the standard deviation, the coefficient of variation of returns, and the portfolio effect.
 - 4 **Explain** various terms relating to capital markets and the functions of dealers and underwriters.
 - 5 **Apply** the marginal principle of retained earnings and residual theory to dividend declaration decisions.
 - 6 **Calculate** the effects of stock dividends, stock splits, and stock repurchases on overall shareholder wealth.
 - 7 **Evaluate** corporate investment decisions involving call and put stock purchase options, stock purchase warrants, and forward contracts used as investments and/or hedges.
 - 8 **Evaluate** the viability of corporate mergers.
 - 9 **Explain** issues involved in international financial management and perform calculations involving foreign exchange rates.

Course Objectives

- Objectives This course will cover the following content
See weekly Course schedule

Professors

Name	Phone Number	Office	Email
Elena Mitropolsky (Course Captain)	ext. 6390	C143	emitropolsky@okanagan.bc.ca

Evaluation Procedure

Term Work	20 %
Midterm Exam	30 %
Final Exam	50 %
Total	100 %

Generative AI tools are permitted with specific restrictions

- Students are permitted to use AI tools for formative work such as gathering information or brainstorming but may not use them for any assessed work or final submission. Whenever generative AI tools are used, they must be appropriately cited. (See [How to cite ChatGPT \(apa.org\)](#))
- Students can use AI tools to assist in proofreading, grammar checking, and language refinement for written assignments where the student has composed the first draft. Students should keep in mind that AI revisions are only suggestions and that they are ultimately responsible for the quality of their submissions. Students may be asked by their instructor how they interacted with AI tools and be prepared to explain and justify their process.

Required Materials

Foundations of Financial Management, Twelfth Canadian Edition by Block, Hirt, Short
McGraw Hill Connect is NOT required for this course. It is recommended students do not use an older version of the text. If students purchase an older version of the text, it is their responsibility to ensure compatibility with the course.

Notes

Excel and Calculator

Students will be required to use Excel and a financial calculator for this course. The Texas Instruments BA-II Plus is strongly recommended, but any brand or model of non-programmable financial calculator, which can perform time-value-of-money calculations, is acceptable.

Exams

Exams are closed book and non-collaborative. You may not access outside materials or communicate with anyone aside from your instructor during the exams. Please note that Okanagan College Policy states that all students must write final examinations when required at the scheduled times and dates.

Course Schedule

(Subject to change at the discretion of the professor)

Date		Topic	Textbook
2024 Week of:		Wednesday, September 4th, First day of class Friday, September 13th, Last day to register for Fall 2024 Monday, September 30th, Statutory Holiday (no classes) Monday, October 14th, Statutory Holiday (no classes) Friday, October 25th, Last day to withdraw from class without academic penalty Monday, November 11th, Statutory Holiday (no classes) Friday, December 6th, Last day of class Tuesday, December 10th – Friday, December 20th, Final Exam Period	Chapter(s):
Sep	4	Introduction Valuation and rates of return	10
	9	Valuation and rates of return continued Weighted average cost of capital	10, 11
	16	Capital Budgeting Decision	11, 12
	23	Capital Budgeting decision continued Risk and Capital Budgeting	12, 13
	30	No class on September 30 Capital Markets/Investment Underwriting	14, 15
Oct	7	Mid-term exam review	
	14	No class on October 14 th Mid-term exam (Chapters 10-15)	
	21	Long-Term Debt and Lease Financing Common and Preferred Stock Financing	16, 17
	28	Dividend Policy	17
Nov	4	Derivative Securities	19
	11	No class on November 11 Derivative Securities, continued	19
	18	International Financial Management	21
	25	External growth through mergers and acquisitions	20
Dec	2	Final Exam review	

Skills Across the Business Curriculum

The Okanagan School of Business promotes core skills across the curriculum. These skills include reading, written and oral communications, computers, small business, and academic standards of ethics, honesty and integrity.

Student Conduct and Academic Honesty

What is the Disruption of Instructional Activities?

At Okanagan College (OC), disruption of instructional activities includes student “conduct which interferes with examinations, lectures, seminars, tutorials, group meetings, other related activities, and with students using the study facilities of OC”, as well as conduct that leads to property damage, assault, discrimination, harassment and fraud. Penalties for disruption of instructional activities include a range of sanctions from a warning and/or a failing grade on an assignment, examination or course to suspension from OC.

What is Cheating?

“Cheating includes but is not limited to dishonest or attempted dishonest conduct during tests or examinations in which the use is made of books, notes, diagrams or other aids excluding those authorized by the examiner. It includes communicating with others for the purpose of obtaining information, copying from the work of others and purposely exposing or conveying information to other students who are taking the test or examination.”

Students must submit independently written work. Students may not write joint or collaborative assignments with other students unless the instructor approves it in advance as a group/team project. Students who share their work with other students are equally involved in cheating.

What is Plagiarism?

Plagiarism is defined as “the presentation of another person’s work or ideas without proper or complete acknowledgement.” It is the serious academic offence of reproducing someone else’s work, including words, ideas and media, without permission for course credit towards a certificate, diploma, degree and/or professional designation. The defining characteristic is that the work is not yours.

“Intentional plagiarism is the deliberate presentation of another’s work or ideas as one’s own.” Intentional plagiarism can be a copy of material from a journal article, a book chapter, data from the Internet, another student, work submitted for credit in another course or from other sources.

“Unintentional plagiarism is the inadvertent presentation of another’s work or ideas without proper acknowledgement because of poor or inadequate practices. Unintentional plagiarism is a failure of scholarship; intentional plagiarism is an act of deceit.”

What are the Students’ Responsibilities to Avoid Plagiarism?

Students have a responsibility to read the OC Plagiarism Policy and Procedures outlined in the OC calendar, which is available in online format www.okanagan.bc.ca. Students must acknowledge the sources of information used on all their assignments. This usually involves putting the authors’ name and the year of publication in parentheses after the sentence in which you used the material, then at the end of your paper, writing out the complete references in a Reference section.

“Students are responsible for learning and applying the proper scholarly practices for acknowledging the work and ideas of others. Students who are unsure of what constitutes plagiarism should refer to the UBC publication “*Plagiarism Avoided; Taking Responsibility for your Work*”. This guide is available in OC bookstores and libraries.

Students are expected to understand research and writing techniques and documentation styles. The Okanagan School of Business requires the use of the APA or MLA style but suggests that students cite references using the APA guidelines (see Publication Manual of the American Psychological Association, 6th edition (2009)). A copy of the APA manual is available in the reference section and available for circulation from OC libraries. The library website has access to these two major citing styles.

What are the Penalties for Plagiarism and Cheating?

The Okanagan School of Business does not tolerate plagiarism or cheating. All professors actively check for plagiarism and cheating, and the Okanagan School of Business subscribes to an electronic plagiarism detection service. All incidents of plagiarism or cheating are reported and result in a formal letter of reprimand outlining the nature of the infraction, the evidence and the penalty. The Dean of the Okanagan School of Business and the Registrar record and monitor all instances of plagiarism and cheating. Penalties for plagiarism and cheating reflect the seriousness and circumstances of the offence and the range of penalties includes suspension from OC.