

Instructor's Resource Guide

for

Corporate Finance Online (CFO)

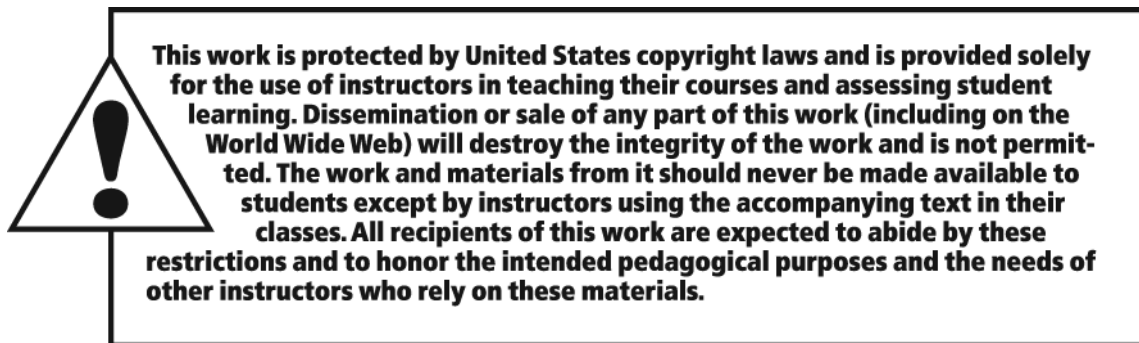
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Introduction

This Instructors' Resource Manual is meant to be a tool for instructors, to make their teaching less stressful and more effective. The tools & activities contained here are comprehensive in type and scope, and we hope you find them useful as you progress through *Corporate Finance Online* during your semester.

There are several tools in this Instructors' Manual, each geared toward mastery of the learning objectives in their respective sections. They are:

- **Pre-Test** These Pre-Tests come at the beginning of every chapter; they are ten questions long, all multiple choice, focusing on terms and background for the topic covered in that chapter. They will help instructors to ascertain students' incoming level of knowledge, so teaching may be focused on areas where students need more instruction.
- **Overview** Short paragraphs at the beginning of each chapter review learning objectives and main concepts and explain the context of the topics covered in the finance world.
- **Teaching Tools** There are many tools in CFO: videos, Excel templates, Explain it! And Solution Tools. The Teaching Tools section identifies each tool in the chapter, with a brief explanation of its content and purpose.
- **Assessment Tools** CFO also contains many built-in assessments; Teaching Tools identifies the Self-Tests and Homework assignments by section, so instructors may use and evaluate them as needed.
- **Class Application Activities** These applied classroom activities help instructors vary and guide class time. They include Q&A, teaching notes, and a quick summary of the major concept discussed.
- **Post-Test** The Post-Test at the end of each chapter reviews the main concepts and equations from each chapter. It is similar in structure to the Pre-Test, being multiple-choice, but the questions are more detailed and aimed at assessing student mastery.

You will find the tools listed in this order in each chapter of the Instructors' Manual; hyperlinks in the Table of Contents make them easy to reach.

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CHAPTER 1: INTRODUCTION TO FINANCE

I. PRE TEST

These 10 questions can be used to determine the students' understanding of the skills and information covered in the chapter. Use the results of the class pre-test to focus your chapter lecture on the concepts that students have not yet grasped.

LO1-Learn the Features of CFO

1. In the context of this text, CFO is an acronym for;
 - a. Certified Financial Obligations
 - b. Chief Financial Officer
 - c. Corporate Finance Online**
 - d. Credited Fiscal Offering

LO2--Learn about the World of Finance

2. The field of finance covers all of the following areas except;
 - a. corporate finance
 - b. financial markets
 - c. investing
 - d. corporate finance, financial markets, and investing are all topics covered in finance**

LO3- Learn about the Financial System

3. Money market securities
 - a. mature in less than one year.**
 - b. have maturities between one and five years.
 - c. have no maturity date.
 - d. are long-term investments.
4. Capital market securities include;
 - a. T-bills
 - b. banker's acceptances
 - c. common stocks**
 - d. commercial paper
5. When a firm issues stock to the public for the very first time it is known as;
 - a. seasoned equity issue
 - b. initial public offering**
 - c. underwriter's issue

d. over-the-counter offering

6. The most common form of business organization in the United States is the

a. corporation

b. sole proprietorship

c. partnership

d. limited liability company

7. Most of the revenue generated in the United States by businesses comes from

a. corporations

b. sole proprietorships

c. partnerships

d. corporations, sole proprietorships, and partnerships all generate approximately equal shares of revenue annually.

8. One of the key concepts in finance is

a. the SEC enforces the law of one price

b. the time value of money

c. people act irrationally

d. markets are inefficient

9. In order to earn higher returns, you must

a. invest in emerging markets

b. buy AAA rated bonds

c. invest only cash

d. assume a higher level of risk

10. If the price of an asset currently reflects the asset's true value, the market is said to be

a. efficient

b. transactional

c. arbitrated

d. riskless

II. Chapter 1: OVERVIEW

This chapter introduces the features of CFO so that students can take full advantage of all the resources available in this text. Spend some time making sure that students understand how to use each feature. In addition, this chapter observes that the field of finance has a number of

applications in academics, business, and your personal life; and, all of those areas present several career paths where students can find great jobs. The chapter also introduces the financial system, corporate governance issues, the concept of risk and return, the time value of money, and other key financial topics with every day applications.

LO1- Learn the Features of CFO

LO2 – Learn about the World of Finance

LO3 – Learn about the Financial System

LO4 – Learn about the Structure and Governance of Corporations

LO5 – Learn Five Principle Themes of Finance

III. TEACHING TOOLS:

The following list summarizes the concepts covered in the chapter videos and solution tools.

Explain it! 1.1.1–“Explain it!” pop-up text box - LO1: This example shows how this text feature

will be used by introducing some information on the history of interest rates.



Explain it! 1.1.1–“Explain it!” video - LO1: This “Explain it!” video illustrates how this tool will be

used throughout the text.



Explore it! 1.1.1 –“Explore it! Interactive graph – LO1: This example shows how this tool will be used throughout the text to allow students to explore a concept, such as future value, in greater

detail.



Solution Tools 1.1.3 – “Solution Tools” Excel file – LO1: This tool shows students an example of

how Excel files will be used throughout the text to solve various problems.



Solution Tools 1.1.3 – “Solution Tools” problem solution video – LO1 This tool shows students an example of how short videos will be used throughout the text to solve various problems.



Solution Tools 1.1.3 – “Solution Tools” calculator solutions – LO1 This tool shows students an example of how short videos will be used throughout the text to solve various problems using the



Excel template presented earlier.

Solution Tools 1.1.3 – “Solution Tools” calculator solutions – LO1 This tool shows students an example of how short videos will be used throughout the text to solve various problems using a



calculator.

Explain it! 1.2.1 – Four Facets of Finance - LO2: This video shows the student the four different perspectives through which you can view the field of finance; academic finance, business finance,



careers in finance, and personal finance.

Explain it! 1.3.11 – Initial Public Offerings – LO3: This text file provides some specifics on a recent



IPO and also some information on IPO investing.

Explain it! 1.3.13 – The Dealer. Part 1. Bid and Ask Prices – LO3: This video shows how a dealer buys and sells shares of stock and makes a profit on the spread (the difference in the bid and ask



prices).

Explain it! 1.3.13– The Dealer. Part 2. How Trading Affects Prices – LO3: This video shows how buying and selling shares of stock (demand and supply) impacts price determination in the



market.

Explain it! 1.4.6 – Management’s Fiduciary Duty – LO4: This text file provides two examples where managers placed the interest of one stakeholder group over shareholders and the stock

prices responded negatively.



Explain it! 1.4.7 – Principal-Agent Problem – LO4: This video shows illustrates the classic principal agent problem using Tyco’s CEO Dennis Kozlowski’s exorbitant corporate spending practices.



Explain it! 1.4.8 – Examples of Agency Problems – LO4: This text box directs students to conduct an Internet search for information on Tyco, Enron, or WorldCom, since each case represents a

clear example of an agency problem.



Explain it! 1.5.1 – Bernie Madoff and the Risk/Return Tradeoff – LO5: This text box provides some historical information on Bernie Madoff and his Ponzi scheme and how it relates to risk and

return.



Explain it! 1.5.1 – Efficient Markets – LO5: This video provides a humorous introduction to the

concept of market efficiency.



IV. ASSESSMENT TOOLS:

chapter.

Page Number

Description

1.1.4

Self-Test Question 1

1.3.4

Self-Test Question 2

1.3.4

Self-Test Question 3

1.3.7

Self-Test Question 4

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1.3.7	Self-Test Question 6
1.3.7	Self-Test Question 7
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1.3.10	Self-Test Question 9
1.3.10	Self-Test Question 10
1.3.11	Self-Test Question 11
1.3.13	Self-Test Question 12
1.3.17	Self-Test Question 13
1.3.17	Self-Test Question 14
1.3.17	Self-Test Question 15
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1.4.9	Self-Test Question 19
1.5.4	Self-Test Question 20
1.5.4	Self-Test Question 21
1.5.4	Self-Test Question 22
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1.3.18	LO3 Topic Homework 1
1.4.10	LO4 Topic Homework 1
1.5.5	LO5 Topic Homework 1

V. CLASS APPLICATION ACTIVITIES:

These activities, complete with solutions, provide opportunities to reinforce (either in class or in small groups) students' ability to apply chapter concepts in business contexts.

CLASS APPLICATION ACTIVITIES 1.1

Title: Occupational Outlook Handbook and Finance Careers

LO2 – Learn about the World of Finance

There are numerous career options available to finance graduates. Students can begin careers in government, the non-profit sector, corporate finance, banking, investments and wealth management, education and other fields. However, it is useful to know the expected salaries and the projected job demand for a particular skill set prior to spending years acquiring the expertise to work in that field. One of the ways you can learn more about a particular career is to research that career in the Occupational Outlook Handbook published by the Bureau of Labor Statistics. Go to the following website:

<http://www.bls.gov/ooh/>

Now look under the heading "Occupation Groups" and click on the link "Business and Financial." Scroll down through the list of job titles and select one that interests you and read all the information posted about that job.

Questions to pose:

1. What is the education required for an entry-level position? Does the job require any licensure requirements?

Answer: It varies according to the job selected.

2. What is the expected starting salary for this position?

Answer: It varies according to the job selected.

3. What is the projected job growth in this field for the next several years?

Answer: It varies according to the job selected.