# **Lesson Plan: Introduction to Financial Management**

**Time Allotment:** 60 minutes

**Topic:** Introduction to Financial Management

### **1. Course Objective**

The primary objective of this course is to provide students with a foundational understanding of the core principles, theories, and practices of financial management. Students will learn how businesses make key financial decisions to maximize firm value.

### **2. Course Outcome**

Upon successful completion of this course, students will be able to:

* Explain the role of a financial manager within an organization.
* Analyze and evaluate investment, financing, and dividend decisions.
* Understand and apply time value of money concepts.
* Evaluate the financial performance of a firm using ratio analysis.

### **3. Learning Outcomes (for this 60-minute session)**

By the end of this lesson, students will be able to:

* Define **financial management** and explain its significance.
* Identify and describe the three fundamental decisions of financial management: **investment**, **financing**, and **dividend** decisions.
* Differentiate between the goals of **profit maximization** and **wealth maximization**, and explain why wealth maximization is the more appropriate goal for a firm.

### **4. Teaching Methodology**

This lesson will use a blended approach:

* **Interactive Lecture:** Key concepts will be introduced through a clear, structured lecture.
* **Discussion:** Students will be encouraged to ask questions and participate in class discussions.
* **Group Activity:** A short case study will be used to apply the concepts in a practical scenario, fostering critical thinking and teamwork.

### **5. Key Points and Time Breakdown**

* **0-10 minutes: Introduction to Financial Management**
  + Define financial management as the process of planning, organizing, directing, and controlling financial activities.
  + Discuss the importance of financial management for individuals and businesses.
  + Briefly explain the role of a financial manager.
* **10-30 minutes: The Three Key Decisions**
  + **Investment Decision:** Where to invest the firm's funds? Introduce concepts like capital budgeting and working capital management. Use a simple example: a company deciding to buy a new factory.
  + **Financing Decision:** How to raise funds for investments? Discuss sources of finance (e.g., equity, debt). Use the example of a company choosing between issuing stocks or taking out a loan.
  + **Dividend Decision:** How to distribute profits? Explain the choice between paying dividends to shareholders or retaining earnings for future investment.
* **30-40 minutes: The Goal of Financial Management**
  + Contrast **Profit Maximization** (focus on short-term profits) with **Wealth Maximization** (focus on long-term value and shareholder wealth).
  + Explain why wealth maximization is superior: it considers the time value of money, the risk of cash flows, and the long-term interests of shareholders.
* **40-55 minutes: Group Activity**
  + Divide the class into small groups.
  + Present a case study (see below).
  + Ask each group to discuss and identify the investment, financing, and dividend decisions facing the company, and propose a course of action based on the principle of wealth maximization.
* **55-60 minutes: Review and Q&A**
  + Bring the class back together.
  + Have a few groups share their conclusions from the activity.
  + Summarize the key takeaways of the lesson.
  + Address any remaining student questions.

### **6. Activity: "The New Technology Dilemma"**

**Scenario:** "Tech Solutions Inc." is a growing software company. The CEO has an opportunity to invest in developing a new, groundbreaking AI software that could significantly increase market share but requires a large initial investment. The cost is $10 million. The company currently has $5 million in cash. The board is also considering whether to issue a special dividend to reward shareholders for a successful year.

**Instructions:** In your groups, discuss and answer the following questions:

1. What is the **investment decision** facing Tech Solutions Inc.?
2. What is the **financing decision** they must make, considering their cash on hand? What are some options?
3. What is the **dividend decision** they need to consider?
4. Based on the goal of **wealth maximization**, what advice would you give the CEO?

### **7. Reference Books**

* **Financial Management: Theory and Practice** by Eugene F. Brigham and Michael C. Ehrhardt
* **Principles of Managerial Finance** by Lawrence J. Gitman and Chad J. Zutter
* **Corporate Finance** by Stephen A. Ross, Randolph W. Westerfield, and Jeffrey Jaffe