

# Business Fundamentals

Course objectives



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# Welcome to GMAC Business Fundamentals

**Business Fundamentals is designed to ensure your students have the confidence and fundamental quantitative knowledge to hit the ground ready before they program.**

Authored and reviewed by faculty from a variety of business schools, each Business Fundamentals course – Statistics, Accounting, and Finance – empowers candidates to learn material that is both relevant in the classroom and for their future career.

As the makers of the GMAT™ exam, GMAC brings 50+ years of experience in being the most widely used assessment for graduate management admissions and the most reliable predictor of academic success in graduate business studies. Kaplan adds decades-long expertise in how people learn, joining GMAC to create this powerful program.

## **Business Fundamentals offers:**

- Courses taught by experts who relate lessons to real world business. scenarios.
- A variety of ways to learn the content through: videos, short quizzes, exercises, answer explanations so that students can master the core business concepts.
- Accessible 24/7 “bite-size” content both online and mobile so that candidates have the flexibility to learn at their convenience.



# Course 1: Statistics

## Statistics learning outcomes



Develop fluency with the basic language of Statistics



Present and describe quantitative and categorical data distributions using appropriate visualizations and summaries



Describe and employ appropriate sampling techniques



Analyse and critique elements of experimental design



Compute and interpret theoretical probabilities, including those derived from normal distributions



Evaluate and critique business case studies using the tools of Statistics

## Statistics: Course topics

### Descriptive statistics

- Data basics: vocabulary and types of data
- Describing and displaying numerical data
  - Data visualizations
  - Shape, center, and spread
- Describing and displaying categorical data
- Bivariate numerical data
  - Scatterplots

### Randomization, sampling, and experiments

- Tools for generating randomness
- Sampling principles and tactics
- Observational studies
- Experiments

### Probability theory

- Probability basics: definitions, rules, and examples
- Random variables and expected value
- Normal distributions

## Statistics: Course learning objectives

### Descriptive statistics

- Define the basic language of statistics.
- Compute measures of central tendency and spread
- Analyze numerical and categorical distributions.
- Create and interpret appropriate data visualizations
- Analyze bivariate data visualizations

### Randomization, sampling, and experiments

- Define simple random sampling
- Recognize common sources of sampling bias

### Probability theory

- Execute basic theoretical probability computations
  - And/Or probability statements
- Create and interpret probability distributions based on probability computations
- Identify appropriate uses of the normal model
- Perform normal model computations
- Calculate probabilities based on a standard normal distribution.
  - Z transformation

# Course 2: Accounting

## Accounting learning outcomes

- ✓ Identify the four financial statements' purpose and know how decision-makers use financial statements
- ✓ List accounting standards and principles' role in providing relevant and useful financial information
- ✓ Analyse the effect of accounting transactions on financial statements using the accounting equation
- ✓ Apply revenue and expense recognition accounting principles to explain the difference between cash and accrual ac-
- ✓ Apply debit and credit conventions to record accounting transactions
- ✓ Prepare financial statements by employing the accounting process of journal entries
- ✓ Identity the content, structure, and interrelationships of financial statements

# Accounting: Course topics

## Overview

- Overview of accounting
  - Defining the three branches of accounting
  - Accounting principles and standards; SEC and FASB
  - The objective of financial reporting and decision usefulness
  - Roles of external auditors and management
  - How decision-makers use financial statements
  - Overview of the four financial statements
- Balance sheets
  - Balance sheet purpose and presentation
  - The accounting equation
  - Defining assets, liabilities, and shareholders' equity
- Income statements
  - Income statement purpose and presentation
  - The earnings equation
  - Defining revenue, expenses, gains, and losses
  - Financial statement transaction analysis format
- Statement of shareholders equity
  - Statement of shareholders equity purpose and presentation
  - Retained earnings formula
  - Contributed capital
  - Transaction analysis

## Accrual accounting

- Accrual accounting versus cash accounting
- The revenue recognition principle
- The expense recognition principle
- The matching principle
- Effects of accrual transactions on financial statements

## The Accounting process

- The Accounting process
  - Defining debits and credits
  - Normal account debit and credit balances
- Journalizing transactions
  - Journal entries to record transactions
  - Tying transaction analysis to journal entries
- Accruals
  - Adjusting entries necessary for accrual accounting
  - Posting transactions to T-accounts
  - Trial balance
- Preparing financial statements
  - Preparing financial statements
  - The closing process
  - Temporary versus permanent accounts

## Statement of cash flow

- Statement of cash flows purpose and presentation
- Direct versus indirect method formats
- Operating, investing, and financing activities

# Accounting: Learning objectives

## Overview

- Understanding accounting
  - Identify the three branches of accounting
  - Summarize accounting principles and standards and the roles of the SEC and FASB
  - Define the objective of financial reporting and how it contributes to decision usefulness
  - Describe roles of external auditors and management
  - Demonstrate how decision makers use financial statements
  - Recognize the four financial statements
- Preparing and using balance sheets
  - Define balance sheet purpose and presentation
  - Employ the accounting equation
  - Identify assets, liabilities, and shareholders' equity
- Preparing and using income statements
  - Define the income statement purpose and presentation
  - Employ the earnings equation
  - Distinguish between revenues, expenses, gains, and losses
  - Apply the financial statement transaction analysis format
- Preparing and using the statement of shareholders' equity
  - Define the statement of shareholders' equity purpose and presentation
  - Employ the retained earnings formula:
  - Explain contributed capital
  - Perform transaction analysis

## Accrual accounting

- Contrast accrual accounting versus cash accounting
- Define the revenue recognition principle
- Define the expense recognition principle
- Define the matching principle
- Demonstrate the effects of accrual transactions on financial statements

## The accounting process

- Describing the accounting process
  - Define debits and credits
  - Identify normal account debit and credit balances
- Preparing transaction journal entries
  - Prepare journal entries to record transactions
  - Reconcile transaction analysis to journal entries
- Preparing accrual journal entries
  - Prepare adjusting journal entries necessary for accrual accounting
  - Post transaction journal entries and accrual journal entries to T-accounts
  - Prepare a trial balance
- Preparing financial statements
  - Prepare the four financial statements
  - List the steps in the accounting: close process
  - Contrast temporary versus permanent accounts

## Statement of cashflow

- Identify the statement of cash flows purpose and presentation.
- Contrast the direct versus indirect method formats
- Identify operating, investing, and financing activities



# Course 3: Finance



## Finance learning outcomes

- ✓ Utilize the terminology and math used in time value of money calculations
- ✓ Perform standard TVM calculations in a spreadsheet
- ✓ Identify how business performance is measured by managers
- ✓ List the basic types of debt and equity
- ✓ Perform basic calculations to show those values
- ✓ Utilize the terminology and math used to value business and cash flows
- ✓ Perform a basic discounted cash flow valuation in a spreadsheet
- ✓ Identify the relationship between interest rates and risk. T-accounts, and trial balances

# Finance: Course topics

## The time value of money

- Principal, interest rate, term, periods, payments, and compounding
- Present value and future value
- Annuities and perpetuities
- Continuous compounding

## Debt and equity

- Loans
- Bonds and coupons
- Stock, dividends, and splits
- Convertible bonds and other hybrids

## Measuring business performance

- The four financial statements
- Book value of a company
- Financial ratios
- Stock price and market value of a company

## How managers value business

- Interest rates and risk
- The risk free rate
- Choosing an interest rate for valuations



# Finance: Learning objectives

## The time value of money

- Identify the terminology used in time value of money calculations
- Identify the math used in time value of money calculations
- Determine what type of time value of money calculation is required from a basic TVM problem description
- Prepare a spreadsheet to perform time value of money calculations
- Contrast the difference between discrete and continuous compounding

## Measuring business performance

- State the four standard financial statements and understand the overall purpose of each
- Calculate the book value of a company from the accounting equation
- Identify the most frequently used financial ratios and what they measure
- Calculate financial ratios from simplified financial statements
- Calculate the market value of a company implied by its stock price and the number of shares outstanding

## Debt & equity

- Prepare a spreadsheet to calculate loan payments, principal payments, interest payments, and remaining balance
- Identify the terminology used for bond math calculations
- Prepare a spreadsheet to calculate loan payments, principal payments, interest payments, and remaining balance
- Identify the terminology used for bond math calculations
- Prepare a spreadsheet to perform bond math calculations, including coupon payments and changes in valuation as market interest rates change, from a basic bond math problem description
- Identify the terminology used to describe the basic features of stocks
- Calculate stock value in a spreadsheet: after both standard and reverse splits

## How managers value businesses

- Identify how a discounted cash flow analysis is performed and what information is needed to perform one
- Prepare and perform a basic discounted cash flow analysis for a series of cash flows in a spreadsheet
- Identify the overall relationship between interest rates and risk
- Recognize the concept of the risk free rate and how it is determined
- Identify market rates and how they are determined
- Identify how an interest rate should be chosen for a financial valuation





## Contact us

For questions regarding Business Fundamentals and the course offerings, scan the QR code or visit [gmac.com/businessfundamentals](https://gmac.com/businessfundamentals)



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