



LONDON SOUTH BANK
UNIVERSITY

unit guide

Business Finance

MFQ-2-222

Faculty of Business,
Computing and Information
Management

2006-07

become what you want to be

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1.0 UNIT DETAILS

Unit Title:	Business Finance
Unit Level:	2
Unit Reference Number:	MFQ-2-222
Credit Value:	1
Student Study Hours:	150
Contact Hours:	36
Private Study Hours:	114
Pre-requisite Learning (If applicable):	No specific pre-requisite or co-requisite units. <i>However, the unit requires some proficiency in elementary arithmetical, algebraic and accounting calculations.</i>
Co-requisite Units (If applicable):	None
Course(s):	BA (Honours) Tourism & Hospitality Management
Year and Semester	2005-06: Semester 2
Unit Coordinator:	Vijay Lee, BA (Econ), MA (Econ), MBA (Finance), CAIIB, PGCHE, ILTM
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Teaching Team & Contact Details :	As above
Subject Area:	Finance
Summary of Assessment Method:	Assessment will consist of a group coursework assignment. 75% of the marks will be contributed by a group written report and accompanying financial spreadsheets, the remaining 25% by a group presentation. The coursework will seek to inter-relate various topics within the unit and provide the opportunity for development of computing and other skills. Group members will be required to collectively agree the distribution of marks for the written report between themselves, subject to the variation in marks between group members not exceeding a permitted maximum.

2.0 SHORT DESCRIPTION

The unit deals with the theory and techniques of business decision-making in key financial areas such as the capital investment decision, the financing decision and the management of working capital.

3.0 AIMS OF THE UNIT

This is an introductory unit in finance for non-specialist students. It aims to develop in students a broad familiarisation with the major areas of finance, and to equip them with the knowledge and skills to communicate effectively and make informed decisions in the area of financial management.

4.0 LEARNING OUTCOMES

4.1 KNOWLEDGE AND UNDERSTANDING, INTELLECTUAL SKILLS & PRACTICAL SKILLS

On completion of this unit, students should be able to:

- Demonstrate a basic understanding of the key concepts of business finance.
- Communicate effectively and knowledgeably in business finance matters.
- Analyse and interpret diverse financial information.
- Make appropriate selective use of the key techniques of business finance in financial planning, control and decision-making.

4.2 TRANSFERABLE SKILLS

The unit will develop students' skills in numeracy, problem-solving, learning, understanding of methodologies, and critical analysis. Students would also develop skills in information technology, written communication, team working, planning and organisation. On completion of the unit students should be able to make appropriate use of computer applications in financial management, particularly the employment of Microsoft Excel to construct financial spreadsheets and produce related analytical charts and graphs.

5.0 INTRODUCTION TO STUDYING THE UNIT

5.1 OVERVIEW OF THE MAIN CONTENT

The unit will cover the fundamental theories and techniques of financial decision-making in a business enterprises, in the following order:

- ✧ Introduction to the objectives of a business enterprise, and the methods of financial planning and performance measurement used for the achievement of these objectives.
- ✧ The capital investment decision: techniques of investment appraisal, project cash flow estimation, firm valuation and expansion through merger.
- ✧ The financing decision: different sources of capital for the business and their cost; the use of various techniques and models in determining the cost of the different elements of capital, and the weighted average cost of capital; evaluating the capital structure decision.
- ✧ Working capital decisions: working capital policy, cash, inventory and credit management.

5.2 OVERVIEW OF TYPES OF CLASSES

The unit combines the use of lectures, seminars and student's personal studies. Lectures provide the framework for the areas of study while seminars are used to clarify, discuss and extend the various topic areas, and develop skills in numeracy and problem-solving. Additionally, computer laboratories will be used for students to develop hands-on skills in the use of computer software for the analysis of financial information and the construction of financial spreadsheets.

5.3 IMPORTANCE OF STUDENT SELF-MANAGED LEARNING TIME

Student responsibility in the learning and development process will be emphasised. They will be required to undertake directed self study and will be encouraged to identify for themselves particular problems of difficulty and to use seminar discussions, where appropriate, for the resolution of these.

Students must regularly access the Blackboard site for this unit. They should download the lecture slides from the Blackboard site, and do the recommended reading, before each lecture. They are also expected to download the relevant seminar questions and study them in advance of each seminar, in order to derive maximum benefit from seminar time.

6.0 THE PROGRAMME OF TEACHING, LEARNING AND ASSESSMENT

Week 1	Introduction to business finance – financial objectives – conflicts between stakeholders. Atrill Ch 1.
Week 2	Financial planning & performance measurement - projecting the financial statements of a business - analysing and interpreting financial statements. Atrill Ch 2 & Ch 3.
Week 3	Computer laboratory session in the use of Excel spreadsheets in financial planning and analysis.
Week 4	The investment decision, part I – payback period, net present value and the internal rate of return – their uses and limitations. Atrill Ch 4 (pages 96-97, 103-116).
Week 5	The investment decision, part II – cash flow estimation, relevant costs for investment appraisal – treatment of taxation & inflation – project risk appraisal. Atrill Ch 4 (pages 117-120; Ch 5 (pages 143-151, 155-156).
Week 6	Computer laboratory session in the use of Excel spreadsheets in capital budgeting.
Week 7	Computer laboratory session in the use of Excel spreadsheets in capital budgeting and project risk appraisal.
Week 8	The investment decision, part III – mergers & acquisitions: merger motivations, acquisition & defence strategies, firm valuation. Atrill Ch 11.
Week 9	The financing decision, part I – sources of capital – estimating the cost of debt & equity - the weighted average cost of capital (WACC). Atrill Ch 5, 6 & 7.

- Week 10 The financing decision, part II - Introduction to capital structure theory - business risk and financial risk– the impact of operating and financial gearing on the firm's financing decisions.
Atrill Ch 7 (pages 250-273); Ch 6 (pages 198-199).
- Week 11 Working capital management – short-term vs long term finance – the management of cash, stocks and debtors.
Atrill Ch 6 (pages 196-202); Ch 9 (pages 307-332).
- Week 12 Revision: Reviewing seminar questions and practicing financial calculations.

7.0 ASSESSMENT OF THE UNIT

A group coursework assignment will count for 100% of the marks for the unit. This will involve preparation of a report as from a finance team, in respect of a major corporate financial decision. A diskette containing spreadsheet analysis of the decision would be expected to accompany the report. Each group will also be required to make an oral presentation of the report, which will count for 25% of the individual mark for the assignment, the remainder being contributed by the written report. There will be an element of 'peer assessment' within each group, the group members being required to share the group mark for the written report between themselves, on a basis to be democratically decided by the group - an example of how this works is provided on page 7. Students required to resit coursework will be set individual essay assignments.

Assessment criteria for the coursework assignment will cover the demonstration of analytical & problem-solving skills, information technology skills, written communication skills, planning & organisational skills, team-working skills and presentational skills. When marking the written reports, the examiners will also use criteria like numerical accuracy, clarity of exposition, logic of argument, effective arrangement and presentation, use of concise and lucid English, use of material drawn from sources outside the lectures and seminars, and the students' own comments and reasoning.

8.0 LEARNING RESOURCES

8.1 CORE MATERIALS

P. Atrill, "**Financial Management for Non-specialists**" Pearson, 3rd Edition 2003.

8.2 BACKGROUND MATERIALS

R.E. Chatfield & M.C.Dalbor, "**Hospitality Financial Management**" Pearson, 2005.

M.G. Jagels & M.C.Coltman, "**Hospitality Management Accounting**" Wiley, 2004.

E.J. McLaney, "**Business Finance for Decision Makers**" Pearson, 5th Edition, 2000.

D. Watson & A.Head, "**Corporate Finance – Principles & Practice**" Pearson, 3rd Edition 2004.

Students are also advised to read The Financial Times/Wall Street Journal Europe, and make full use of the facilities available for research through LISA and the Internet.

BUSINESS FINANCE COURSEWORK

ESTIMATE OF INDIVIDUAL CONTRIBUTION TO THE GROUP'S WRITTEN REPORT

No.	Name of group member	Percentage contribution to group report	Signature of member
1.			
2.			
3.			
4.			
TOTAL		100	

Note:

- If there are 4 members in a group an *equal* contribution would be 25% each.
- If there are only 3 members in a group, an *equal* contribution would be 33⅓% each.
- Variations from these levels of 25% and 33⅓% are permissible for individual group members *up to a maximum of ± 3% only for a 4-person group & ± 4% only for a 3-person group.*
- An example of how it works:

A three-member group's report is awarded a mark of 50%. Therefore the aggregate marks for the three members are $50 \times 3 = 150$.

No.	Name of group member	Percentage contribution to group effort	Mark awarded for report
1.	Peter	37⅓%	$150 \times 37\frac{1}{3}\% = 56$
2.	Paul	33⅓%	$150 \times 33\frac{1}{3}\% = 50$
3.	Mary	29⅓%	$150 \times 29\frac{1}{3}\% = 44$
TOTAL		100%	150

As can be seen, the maximum variation in contribution of ± 4% for a 3-person group can result in a fairly substantial variation in the marks granted to the individual.