



**Finance for Business**

**MFQ – 2 - 202**

**Faculty of Business Computing and  
Information Studies**

**2006 - 2007**

**become what you want to be**

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## 1. UNIT DETAILS

<b>Unit Title:</b>	Finance for Business
<b>Unit Level:</b>	2
<b>Unit Reference Number:</b>	MFQ - 2 -202
<b>Credit Value:</b>	1
<b>Student Study Hours:</b>	150
<b>Contact Hours:</b>	36
<b>Private Study Hours:</b>	114
<b>Pre-requisite Learning (If applicable):</b>	
<b>Co-requisite Units (If applicable):</b>	
<b>Course(s):</b>	
<b>Year and Semester</b>	2006 – 2007 Semester One
<b>Unit Coordinator:</b>	Dr H.R. Griffiths
<b>UC Contact Details (Tel, Email, Room)</b>	Tel ext 7873; Email – <a href="mailto:griffihr@lsbu.ac.uk">griffihr@lsbu.ac.uk</a> ; Room LR 393
<b>Teaching Team &amp; Contact Details (If applicable):</b>	Dr. J. Tanner Tel ext 6987; Email – <a href="mailto:tannerj@lsbu.ac.uk">tannerj@lsbu.ac.uk</a> ; Room LR 393
<b>Subject Area:</b>	Finance
<b>Summary of Assessment Method:</b>	Coursework (50%) & Exam (50%)

## 2. SHORT DESCRIPTION

This is an introductory business finance unit intended to provide students of business studies with a basic foundation in the principles of financial decision making. Three major financial decision making areas are covered, namely financing, investment and distribution decisions.

## 3. AIMS OF THE UNIT

To introduce students to the basic elements of business finance.

To provide students with the necessary foundation to study other aspects of finance at Level 3.

To provide a basis for understanding finance-related issues encountered in practical, real-life situations, and thereby in potential future working environments.

## Learning Outcomes

### 3.1 Knowledge and Understanding

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

- Evaluate the principles of financial decision-making in business,
- Select and use appropriate techniques of financial decision-making in the areas of investment, financing and risk management,
- Explain the working of the economic and financial systems, and the role they play in providing a framework for financial decision making,
- Demonstrate problem solving, decision-making, report writing and presentational skills.

### 3.2 Intellectual Skills

Throughout this unit, students will be encouraged to develop their analytical and critical capabilities by applying them to a series of mini-cases used in the seminars

### 3.3 Practical Skills

Communication skills - students will be expected to develop communication skills through the written elements of the assignment and participation in seminars.

Numeracy skills - students will be expected to use and expand the techniques acquired in the 1<sup>st</sup> year Quantitative Literacy Course

Information Technology skills - students will be expected to make full use of software packages such as Excel and Word in the production of their assignments. In addition, students will need to access the information facilities in the Learning Resources Centre in order to complete their assignment.

### 3.4 Transferable Skills

Communication.

Numeracy.

Information Technology.

## 4. ASSESSMENT OF THE UNIT

One 2-hour unseen and closed book written examination with a weighting of 50% to the overall mark.

One individual coursework assignment contributing 50% of the overall mark.

Group work and plagiarism will not be tolerated and reported for further action.

## 5. FEEDBACK

Feedback will normally be given to students 15 working days after the submission of an assignment.

## 6. INTRODUCTION TO STUDYING THE UNIT

### 6.1 Overview of the Main Content

This is an introductory business finance unit intended to provide students of business studies with a basic foundation in the principles of financial decision making. Three major financial decision making areas are covered, namely financing, investment and distribution decisions.

## 6.2 Overview of Types of Classes

The unit combines the use of lectures, seminars and students' personal studies. Lectures provide the framework for the areas of study while seminars are used to clarify, discuss and extend the various topic areas. Additionally, seminars will be used to enable students to report their findings from the analysis and interpretation of short financial scenarios.

Case studies, to be tackled in groups, will be used to inter-relate the various subjects in the unit. They will also provide the opportunity for the development of computing, problem solving, interpersonal and presentational skills.

## 6.3 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 prepare solutions to questions relative to various topic areas. Students will be encouraged to identify for themselves particular problems of difficulty and to use seminar discussions for their resolution.

## 6.4 Employability

Students will be able to offer employers analytical abilities and an understanding of the importance of corporate financial management.

# 7. THE PROGRAMME OF TEACHING, LEARNING AND ASSESSMENT

- Week 1** **Unit Overview and the Objectives of the Firm.** Wealth maximisation & agency theory.  
Watson & Head Chapter 1; Pike & Neale Chapter 1
- Week 2** **Capital Markets, Market Efficiency & Ratio Analysis.** Investor behaviour, financial information and market prices.  
Watson & Head Chapter 2; Pike & Neale Chapter 2
- Week 3** **Investment Appraisal Methods.** Payback, Accounting Rate of Return, & DCF methods (NPV, IRR, Profitability Index & Discounted Payback)  
Watson & Head Chapter 3; Pike & Neale Chapter 5
- Week 4** **Investment Appraisal Applications.** Relevant cash flows, tax, inflation & sensitivity analysis.  
Watson & Head Chapter 4; Pike & Neale Chapters 6 & 9.
- Week 5** **Equity Finance.** New issues, rights issues, & scrip issues.  
Watson & Head Chapter 5; Pike & Neale Chapter 18.
- Week 6** **Debt Finance.** Loan stock, hybrid securities and valuation.  
Watson & Head Chapter 6; Pike & Neale Chapter 3

- Week 7    Dividend Policy.** Dividends and valuation, strategies and alternatives.  
Watson & Head Chapter 7; Pike & Neale Chapter 19
- Week 8    The Cost of Capital.** WACC, marginal cost of capital and capital structure.  
Watson & Head Chapter 8; Pike & Neale Chapters 20 & 21.
- Week 9    Portfolio Theory.** Risk, the Capital Asset Pricing Model, uses and evidence.  
Watson & Head Chapter 9; Pike & Neale Chapters 10 & 11.
- Week 10    Mergers & Acquisitions.** Trends, motives, financing, and results.  
Watson & Head Chapter 11; Pike & Neale Chapter 22.
- Week 11    Revision**
- Week 12    Revision**

## 8. LEARNING RESOURCES

### 8.1    Core Materials

- D. WATSON & A. HEAD “**Corporate Finance: Principles and Practice**” (FT, 3<sup>rd</sup> Edition, 2003)

### 8.2    Optional Materials

Students are expected to familiarise themselves with the world of finance by reading some of the following publications:

- The Financial Times. It is not expected that students should read the FT every day, but once a week would be advisable.
- The Broadsheets (The Times, Sunday Times, Telegraph, Sunday Telegraph, Independent, Independent on Sunday, Guardian, and the Observer). If students find the FT too heavy, they should read the financial pages of the broadsheet papers mentioned above.
- The Economist.
- Investors Chronicle
- Wall Street Journal Europe
- R. PIKE & B. NEALE “**Corporate Finance & Investment**” (Prentice Hall 4<sup>th</sup> Edition, 2003)

## NOTES

[Click and replace]