

DBS SCHOOL OF BUSINESS

LJMU DEGREE PROGRAMMES

MODULE PROFORMA

Module Title: Finance II

Level: 3

Assessment: Continuous Assessment: 30%

Examination: 70%

Prerequisites: Finance I

Credits:12

Objectives:

- To equip students to calculate, evaluate, and present financial and treasury information to assist the optimum flow of financial resources in an organisation.
- To equip students to assess an organisation's financial risk in domestic and international situations, and to select the appropriate combination of hedging techniques to reduce risk exposure.

Learning Outcomes:

On completion of this module students will be able to:

- Understand and apply the theories of portfolio construction and diversification to practice.
- Demonstrate understanding of the mechanisms and operation of internationally traded financial products.
- Interpret and analyse the financial variables which drive share price movements.
- Critically appraise mergers and takeovers in order to ascertain "true costs" and gains in the process.
- Display a detailed understanding of investment appraisal techniques.
- Critically review the application of CAPM and Arbitrage Theory in the assessment of capital structure.

Syllabus:

Introduction

- Introduction to the concepts of an efficient capital market, its meaning and implications.

Advanced Investment Appraisal

- The application of discounting techniques to recurring projects, replacement cycles, and complex capital rationing situations.

Capital Structure and the Cost of Capital

- The empirical evidence in relation to both CAPM, and the capital structure debate. The validity of the theoretical models. An introduction to the Arbitrage Pricing Model.

Company Valuation

- Share valuation using available methods: P/E, earnings, free cashflow, CAPM, net assets etc. Making informed recommendation, combining the various valuation methods with all other relevant factors.

Dividend Policy

- A review of dividend policy theory. The empirical evidence on the relevance of dividend policy theory, when applied to recent corporate behaviour.

Mergers and Acquisitions

- The motives for M&As. Predatory and defensive strategies. The impact of M&As on shareholder wealth. A review of the evidence on the factors determining the success, or otherwise, of mergers, acquisitions and management buy-outs. Methods of financing mergers, acquisitions and buy-outs.

Domestic and International Treasury Management

- The nature and degree of financial risk in domestic and international trading. Identification and quantification of financial risk. Appropriate risk management techniques using forward contracts, options, swaps, futures etc. International capital markets, and the complex financial instruments (Futures, Forwards, Swaps and Options) available to the modern treasury manager.