

DBS SCHOOL OF BUSINESS

LJMU DEGREE PROGRAMMES

MODULE PROFORMA

Module Title: Finance I

Level: 2

Assessment: Continuous Assessment: 30%

Examination: 70%

Prerequisites: Accounting; Economics; Business Maths & Research Techniques.

Credits:12

Objectives:

- To introduce the financial methods used for analysing and evaluating the costs, benefits and drawbacks of available sources of long-term and working capital finance.
- To explore the role of financial management in planning, control and decision-making within an organisation.
- To critically appraise capital investment opportunities, taking account of qualitative, as well as quantitative, factors.
- Understand the role and operation of the Capital Markets

Learning Outcomes:

- On completion of this module students will be able to:
- Show a clear understanding of how financial management and analysis affect the operations and decisions of a business entity.
- Demonstrate competency in applying financial management techniques to a variety of situations and interpret the results of such techniques.
- Appraise and assess commercial opportunities that may arise for an entity within a business environment.
- Understand the source and application of alternative forms of finance available to business entities.

Syllabus:

Financial Objectives

- The nature, purpose and scope of financial management, and its relationship to management accounting and financial accounting. The key economic and financial objectives, which influence organisations in the business environment.

Investment Appraisal

- Identifying potential investment opportunities. Non-discounting techniques: Payback, Accounting Rate of Return, Return on Capital Employed. Discounting techniques: Internal Rate of Return, Net Present Value. Capital rationing. Lease or buy decisions. Investment appraisal under uncertainty and risk, with inflation and taxation. Qualitative factors.

Sources of Finance

- The role and nature of the capital and money markets. The relative merits and drawbacks of various sources of finance. Selecting the type, source, and mix of long and short-term finance appropriate to a given situation.

Cost of Capital

- Calculating the cost of different sources of finance. The Weighted Average Cost of Capital (WACC). The Modigliani-Miller propositions and the 'irrelevance' argument. The contribution of portfolio theory to risk management. The CAPM as a risk-based technique for calculating the cost of capital, and its strengths and weaknesses.

Financial Ratios

- Calculation and interpretation of financial ratios when analysing competing investments.

Working Capital Management

- The components of working capital management in an organisation: cash, debtors, stock, and creditors. Appropriate sources and mix of finance. Identification of the weaknesses of, and remedies for, poor working capital management in a given scenario.