Aston Business School
Birmingham

BFM205 BUSINESS FINANCE

Academic Year 2012/13

Number of Aston Credits: 15

Number of ECTS Credits: 7.5

Staff Member Responsible for the Module:

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Availability: See WASS

Or contact the Finance & Accounting Group Administrator:
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Pre requisite for the Module:

None. This module assumes a basic familiarity with financial knowledge and is designed to build on those skllls. It does not address advanced techniques in the areas covered. During the module, students will be expected to develop their knowledge of basic statistics and material is available in the module web to provide support.

Module Objectives and Learning Outcomes:

This module is offered across a number of programmes:
MSc Accounting and Finance;
MSc Business and Management;
MSc Finance and Financial Regulation;
MSc International Business;
MSc Islamic Finance and Banking;
MSc Strategy and international Business.

The curriculum maps for each programme offer a slightly different form of the programme objectives, but the broad intent is similar and the following map shows how

Curriculum objective	Module Objective	Sessions	Assessment method
A1 Demonstrate knowledge	Be able to synthesise and communicate complex	All	Coursework.

and understanding of the theories, principles and underlying concepts and practice of management and an understanding of business models and processes in a national and international context.	information about financial decisions and evaluations in context in clear language, demonstrating more than repetition of course materials.		Part A of the exam.
B1 Demonstrate competence in critical reasoning and decision-making. B2 demonstrate a high level of intellectual and analytical skills and through intensive post graduate study have acquired and developed understanding of business and management subjects. B5 Demonstrate an understanding of the strengths and weaknesses of evidence based approaches to management.	Be able to construct an argument to support a financial decision by reference to theory and current examples in the news. Be able to acknowledge the limitations of current financial theory.	1, 6, 8.	Part A of the Exam.
C1 Apply principles, models and theories in the working environment. C2 Use key accounting and financial tools to aide decision making inside organizations.	Be able to calculate and select appropriate discount rates, valuation techniques and leverage ratios including the use of the WACC.	3, 4, 6, 7, 8	Part B of the exam. Part of the MCQ in Part C.
D4 Communication and team working skills D5: Competency in understanding relevant statistical analyses and financial reports	Be able to work together to produce a single output and capitalise on each group member's strengths. Be able to complete simple bond and equity valuations; select appropriate metrics and methods to evaluate projects using DCF, IRR	All. 2, 3, 4, 5	Course work Part B of the exam. Part of the MCQ in Part C.

	Payback and rank projects using a Profitability Index. Be able to complete a simple risk return calculation.		

Module Content:

Week 1: Introduction, Financial Markets and Agency Theory

Week 2: Valuing shares and securities

Week 3: Investment appraisal (1): investment appraisal methods

Week 4: Investment appraisal (2): identifying relevant cash flows

Week 5: Risk and return

Week 6: The cost of capital

Week 7: Corporate financing decisions

Week 8: Debt and dividend policy decisions

Week 9: Revision

Week 10: **Examination**

This module focuses on the two key aspects of corporate financial management: how companies decide where to invest their money and how they raise the money to pay for these investments. The module is organized as follows:

Part 1 (week 1): provides an introduction to financial management, the role of the financial manager and the financial environment in which companies operate. The concept of shareholder wealth maximization is explored as well as mechanisms that are used in order to align managers' interests with those of shareholders.

Part 2 (weeks 2 – 4): is concerned with valuation. First, the concept of 'present value' is introduced and applied to the valuation of shares and bonds. Then, we examine the application of 'present value' and other appraisal methods used to evaluate corporate investment decisions.

Part 3 (weeks 5 – 6): is concerned with the cost of capital. First, we examine the relationship between risk and return and the impact of diversification on risk reduction. We then explore the meaning of the cost of capital concept and how it is measured.

Part 4 (weeks 7 – 8): is concerned with financing decisions. First, we review the alternative sources of funding available to a company, and considerations relevant to a company's choice of what funding source is most appropriate. We then examine two key financial decisions: how much debt should the company use in its capital structure, and how much of the company's profits should be paid to shareholders as dividends.

After completing the module, students will be able to explain the key principles and challenges of financial management decisions, and will be able to apply key mathematical techniques to the valuation of shares and bonds, the evaluation of investment decisions, and to compute the cost of capital. Students will also be able to discuss at a good introductory level the characteristics, influencing factors and the advantages and disadvantages of different forms of financing, discuss the linkages between the firm and the financial markets, and the links between corporate and financial strategies.

Corporate Connections:

The module places great emphasis on real-world corporate issues and practices. Carmel will draw on her work as a banker and consultant to natural resource companies, banks, contractors and other public and private companies, as well as a venture capitalist.

International Dimensions:

Reference will be made to international aspects of investment and financing decisions including a discussion of the stock exchanges around the globe and the value of listing on more than one exchange.

Contribution of Research:

Reference will be made to the major research findings that have informed the development of corporate financial management, including research into stock market efficiency, the Capital Asset Pricing Model, debt and dividend policy decisions and more generally evidence of how companies make financial management decisions in practice. These theories are now under scrutiny and students will be expected to have a basic knowledge of the limitations of these approaches in practical finance.

Ethics, Responsibility & Sustainability:

Reference will be made to professional conduct as a form of ethical behaviour especially in the first lecture when considering the role of managers as agents for shareholders and investors and with specific reference to the Barclays LIBOR case study. Students will be expected to read and engage with material in the module web to enable an informed discussion.

Method of Teaching:

The teaching will comprise a mixture of lectures, group discussions, exercises and cases. The module web contains copies of presentation slides, supplementary readings, exercises and past examination papers. You may be provided with additional handouts and exercises during the module as well as additional references to useful articles and readings that are available in the library. A series of Calculation Clinics will be held to develop confidence in key areas.

Method of Assessment and Feedback:

Successful completion of both assessment elements:

1. A compulsory group exercise running across weeks 5-8 will require students to work in groups allocated within their programmes to prepare an A1 poster summarizing a financial transaction in the public domain and offering an assessment of it. Groups will be given their transaction and the assessment criteria at the start of week 5. The poster needs to be handed in to the PG office by the end of week 8. Successful completion of this task is essential for successful completion of the module. This is worth 10% of the module marks and contributes towards employability skills.

2. A 2 hour closed book examination with an essay question, a calculation and an MCQ element. This is worth 90% of the module marks

On line testing for self assessment of progress will be available in the module web using the card provided with the set book.
A trial MCQ will run in the first half of the course

Feedback is available on request either during office hours, via email or on Blackboard.

Learning Hours:

Contact Hours	35
Directed Learning	65
Further Private Study	33
Group Work	15
Examination	2
Total	**150**

The following essential and recommended readings are subject to change. Students should not therefore purchase textbooks prior to commencing their course. If students wish to undertake background reading before starting the course, many of the chapters/readings are

available in electronic form via on-line library catalogues and other resources.

Essential Reading:

Hillier D, Clacher I, Ross S, Westerfield R and Jordan B. (2011). 'Fundamentals of Corporate Finance' (European Edition) McGraw Hill

Alternative Recommended Reading:

Arnold GC 'Essentials of Corporate Financial Management' FT Prentice Hall (Pearson Education)

Online Resources:

Overheads and other key journal articles will be made available on Blackboard-System

Recommended Journals:

Students should be reading the Financial Times and the Economist regularly as a minimum.

Additional Readings:

Are contained in the module web either as electronic material or via links to the eLibrary and are updated immediately before the start of the course to maintain currency.