



**London  
South Bank  
University**

# Module Guide

Corporate Financial Management

BAF-7-CFM

School of Business

Level 7

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## 1. MODULE DETAILS

<b>Module Title:</b>	Corporate Financial Management
<b>Module Level:</b>	Level 7
<b>Module Reference Number:</b>	BAF-7-CFM
<b>Credit Value:</b>	20 credit points
<b>Student Study Hours:</b>	200 hours
<b>Contact Hours:</b>	52 hours
<b>Private Study Hours:</b>	148 hours
<b>Pre-requisite Learning (If applicable):</b>	N/A
<b>Co-requisite Modules (If applicable):</b>	None
<b>Course(s):</b>	None
<b>Year and Semester</b>	2017-2018 Semester 2
<b>Module Coordinator:</b>	Dr Weiou Wu
<b>MC Contact Details (Tel, Email, Room)</b>	Tel: 02078157859 Email: <a href="mailto:wuw6@lsbu.ac.uk">wuw6@lsbu.ac.uk</a> Room: LR350
<b>Teaching Team &amp; Contact Details</b>	
<b>Subject Area:</b>	Finance and Financial Management
<b>Summary of Assessment Method:</b>	40% Group coursework plus presentation; 60% 3 hours unseen exam.
<b>External Examiner appointed for module:</b>	Dr. Basil Al-Najjar, Senior Lecturer, Birkbeck, University of London

## 2. SHORT DESCRIPTION

The module deals with the theory and techniques of making value-maximising investment and financing decisions based on key factors such as cash, risk and time. It also incorporates the study of the economic environment in which such decisions are taken, and addresses other specialised areas such as the profit distribution decision, merger and acquisition strategy, management of working capital and international financial management. It applies concepts and theories that are central modern financial management.

## 3. AIMS OF THE MODULE

The module aims to provide students with the knowledge, understanding and skills required to apply the principles of finance in making investment and financing decisions within a corporation, particularly the selection and use of the most appropriate approaches and techniques for achieving the optimal deployment of financial resources.

## 4. LEARNING OUTCOMES

### 4.1 Knowledge and Understanding

On completion of this module students should be able to:

- Demonstrate a clear and rigorous conceptual understanding of the fundamental theories of corporate financial management.
- Critically analyse and evaluate the merits, limitations and practical applications of the various financial models and decision-making techniques that have been developed from these theories.
- Bring together the various theories, tools and techniques of financial analysis and managerial decision-making, and apply them in making optimal choices regarding the deployment of scarce capital towards competing uses, and the management of financial risk.
- Explain the features and characteristics of alternative sources of capital from the domestic as

well as international financial markets and critically evaluate their usefulness and appropriateness under differing circumstances.

## 4.2 Intellectual Skills

On successful completion of the module students will have developed a critical appreciation of the conditional nature of conclusions drawn from the theoretical models that have been developed in an effort to codify the operations of financial management. The module inculcates awareness that these theoretical propositions do not necessarily constitute definitive proofs, and that it is important to question their validity through critical thinking, and by reference to rival arguments and empirical evidence.

## 4.3 Practical Skills

On successful completion of the module students will be able to address problems using a variety of quantitative techniques that develop practical mathematical skills. The module also provides students with the opportunity to develop up-to-date and relevant information technology skills, including the use of the Bloomberg terminal for accessing and analysing real-time financial information.

## 4.4 Transferable Skills

On successful completion of the module students will have developed analytical and problem-solving skills, and the ability to competently use a variety of computer software for the purpose.

# 5. ASSESSMENT OF THE MODULE

The module will be assessed by one piece of group coursework, circa 4,800 words (individual equivalent of 1,600 words) assignment with an accompanying presentation – 40% and an unseen three-hour examination (60%).

Deadline for Submission of coursework is TBC

The minimum mark for each element of assessment will be 40% and the overall pass mark for the module will be 50%.

# 6. FEEDBACK

Feedback will normally be given to students 15 working days after the final submission of an assignment or as advised by their module leader.

General feedback, applying to all students, will also be placed on the module VLE site within 15 working days.

# 7. INTRODUCTION TO STUDYING THE MODULE

## 7.1 Overview of the Main Content

- The corporation and its environment - goals of the corporation – the agency problem and its implications for corporate governance – the capital markets – efficient markets hypothesis.

- The capital investment decision – time value of money and discounted cash flow analysis – net present value and the internal rate of return - payback period.
- Cash flow estimation – the impact of taxation and inflation - project risk management with sensitivity analysis and probability analysis.
- Special types of investment and financing decisions: capital rationing & the profitability index - asset replacement decisions – lease finance.
- Raising equity & debt - public issues, rights issues, placings, – bank borrowing, ordinary loan stock, Eurobonds – preference shares, convertibles and warrants.
- The cost of capital - basic bond and share valuation models – the weighted average cost of capital. The cost of capital - equity vs. debt financing - basic bond and share valuation models – the weighted average cost of capital – cost of capital in divisionalised companies.
- Risk and return - portfolio theory and the capital asset pricing model (CAPM) - the use of CAPM in capital budgeting decisions.
- Business Valuation: enterprise value and equity value - asset valuation – earnings valuation – dividend valuation – discounted cash flow valuation.
- The capital structure decision: business risk and financial risk – the impact of gearing on risk, return and the value of the business - the traditional view on optimum capital structure – capital structure decisions in practice.
- Profit distribution: Dividend policy – dividend irrelevance theory and real world considerations – scrip dividends - scrip issues – share splits - share repurchases.
- Working capital management: management of cash, receivables and inventory – short term financing and investment – management of creditors.
- Risk Management: Approaches to risk management – exchange rate risk and interest rate risk – theories of exchange rate and interest rate behaviour – hedging of exchange rate and interest rate risk.

## 7.2 Overview of Types of Classes

There will normally be 13 weekly teaching-cum-learning sessions. Each session will consist of a 2 hours Lecture – later reinforced and supported by a related 2 hours Seminar. The lecture will cover the key practical and theoretical aspects of the particular topic. Lecture notes are provided. The seminar will be organised around questions available beforehand (effectively a week earlier). Students are expected to work on the questions as part of their self-managed learning, and are encouraged to participate actively in the problem-solving process.

## 7.3 Importance of Student Self-Managed Learning Time

Student responsibility in the learning and development process will be emphasised. Students are required to undertake directed self-study and prepare solutions/discussions to questions relative to various topic areas. Students 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 Moodle site for this module. They should download the class/lecture material from the Moodle site, and do the recommended reading, before each lecture/class.

Where appropriate, students 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. The programme of teaching, learning and assessment gives guidance on the textbook reading required for each week, the purpose of which is to encourage further reading both on and around the topic.

## 7.4 Employability

On completion of this module students should have an operational level knowledge of the main principles, practices, approaches, and conventions of corporate financial management, so that they will be able to apply them within real-world problems and situations. In being able to do so, students are likely to enhance their overall employment potential and/or their ability to undertake practical work with a view to commencing employment in related areas.

## 8. THE PROGRAMME OF TEACHING, LEARNING AND ASSESSMENT

SEMESTER 1		
WEEK	TOPIC	READING (CORE TEXT)
1	The corporation and its function	Arnold ch 1 & 3
2	Capital investment decision and cash flow estimation	Arnold ch 2, 3, 4 ( <i>excl. "Investment process"</i> )
3	Loan capital: the valuation and characteristics of bonds	Arnold ch11 ( <i>excluding "Convertible bonds", "Project finance", "Sale &amp; leaseback". &amp; "Islamic banking"</i> )
4	Share capital: the valuation and characteristics of shares	Arnold ch 10 ( <i>excluding "Other equity issues", "Scrip issues" &amp; "Warrants"</i> ), ch17 ( <i>only "Dividend valuation models"</i> ) & ch16 ( <i>only "Gordon growth model method" &amp; "The cost of preference share capital"</i> )
5	The cost of capital	Arnold ch16
6	Risk and return: Portfolio theory and Capital Asset Pricing Model(CAPM)	Arnold ch 7 ( <i>excluding the sections from "Dominance &amp; the efficient frontier" to "Extension to a large number of securities"</i> ) Arnold ch8 ( <i>up to the section 'Applications of CAPM', &amp; excluding the section 'From the capital market line to the security market line'</i> )
7	Business valuation: enterprise and business value	Arnold ch7 ( <i>excluding the sections from "Dominance &amp; the efficient frontier" to "Extension to a large number of securities"</i> )
8	Capital structure theory and decision; Special type of finance : lease finance, hire purchase and Islamic finance	Arnold ch 18 Arnold ch12 "Hire Purchase" and "Leasing"; & ch11 "Islamic banking"
9	Profits distribution: dividend policy	Arnold ch19
10	Working capital management	Arnold ch12 "Working capital management" Arnold ch12, from "Short & medium-term bank finance" to "Factoring", & "Bills of exchange" to "Financing"
11	Risk management	Arnold ch 12 "Risk management", chapter 21 "Forwards" & "Futures" and chapter 22 (complete) Arnold ch 12 "Interest-rate risk" & ch 21 "Short-term interest rate futures" and "Forward rate agreements"
12	Revision 1	

## 9. STUDENT EVALUATION

This module will incorporate suggestions and amendments based on the Course boards and Module Evaluation Questionnaires. It also encourages feedbacks from students and the teaching team. The continuous feedback will be reflected in the future teaching and assessments.

## 10. LEARNING RESOURCES

### **Core Materials:**

Arnold, G. *Corporate Financial Management* (Pearson, 5<sup>th</sup> Ed, 2012).

Hillier, D, Ross S.A., Westerfield R.W., Jaffe J., Jordan, B., *Corporate Finance*, European Edition, McGraw-Hill.

**Module Moodle Site:** Contains lecture notes, seminar questions and solutions.

### **Optional Materials:**

Hillier, D, Ross S. A., Westerfield R. W., Jaffe J., Jordan, B.: *Fundamental of Corporate Finance*, McGraw-Hill.

Kaplan Publishing (Foulks Lynch), ACCA Paper F9 – Financial Management.

Pike, R., Neale, B. & Linsley, P., *Corporate Finance and Investment – Decisions and Strategies* (Pearson, 7<sup>th</sup> Ed, 2012).

### **Electronic Media**

<http://www.lsbu.ac.uk/library/> offers access to databases of finance journals, which students are encouraged to read along with papers like the Financial Times and Wall Street Journal (Europe). Historical financial market data is available on websites such as Yahoo Finance.

## Websites

LSBU Moodle – <https://vle.lsbu.ac.uk/login.php>

### Moodle

A Moodle site is maintained for this module. Copies of all module materials can be obtained at this site. Copies of seminar answers will be available at the site one week after the relevant seminar.

Additional advice on studying and information on further reading is provided on the Moodle site.

Library - <http://www1.lsbu.ac.uk/library>

### **Other Resources**

A PDF copy of the student handbook is available at:

<https://my.lsbu.ac.uk/my/applicant/Study-Support/Regulations-Policies>

A great deal of help is available on all academic matters from 'Academic Assistant' at <http://www.blc.lsbu.ac.uk/aa/aa/>

## NOTES

Plagiarism means presenting another person's work as your own. Some examples of it are:

1. The inclusion in a student's assignment of more than a single phrase from another person's work without the use of quotation marks and due acknowledgement of the source.
2. The summarising of another's work by simply changing a few words or altering the order of presentation, without proper acknowledgement.
3. The use of the ideas or intellectual data of another person without acknowledgement of the source or the submission or presentation of work as if it were the student's, when in fact they are substantially the ideas or intellectual data of another person.
4. Copying the work of another person (be it a co-student or any other source).

Students are rightly expected to draw upon other people's ideas but in an appropriate manner. Students will certainly use books and journals to assist with their studies and in students may have access to other people's work on computer disk or over a computer network. When undertaking coursework assignments they may legitimately make reference to publication made by others.

However, other people's work must be used in a principled way, with due acknowledgement of authorship. Students, in acknowledgement of the work of others must use a recognised standard and for business students this is the Harvard system of referencing.

For guidance on plagiarism refer to:

<https://my.lsbu.ac.uk/my/portal/Study-Support/Library/Referencing-Your-Work>

For guidance on the Harvard system of referencing:

<https://my.lsbu.ac.uk/my/portal/Study-Support/Library/How-to-Guides>

The consequences of plagiarism are extremely serious. This should be borne in mind at all times and especially when students are completing their assignments.

In cases of plagiarism and other forms of cheating, University regulations will be strictly applied. Penalties may include failure in the module, without the right to be re-assessed or even termination of studies.

If you have any concerns about plagiarism, you must discuss them with your lecturer or seminar tutor before submitting your final work for marking.

## Student Support

London South Bank University offers many ways to offer you support while you study with us. We appreciate that many factors can impact on student success and so offer a suite of services students can rely on. Services can be accessed at: <http://www.lsbu.ac.uk/student-life/student-services>

There is a PDF guide to student support which can be found at:

<http://www1.lsbu.ac.uk/library/documents/CLSDStudentGuide1011.pdf>

For reasons of educational soundness and/or events beyond the control of the lecturer responsible for this module, s/he reserves the right to exceptionally vary and/or modify, the lecture programme to ensure that the module learning outcomes can be fully met.