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**London
South Bank
University**

Module Guide

Fundamentals of Finance

BAF-5-FOF

School of Business

2016-17

Level 5

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1. MODULE DETAILS

Module Title:	Fundamentals of Finance
Module Level:	5
Module Reference Number:	BAF-5-FOF
Credit Value:	20 credit Points
Student Study Hours:	
Contact Hours:	52
Private Study Hours:	148
Pre-requisite Learning (If applicable):	None.
Co-requisite Modules (If applicable):	None.
Course(s):	BA Honours Accounting & Finance
Year and Semester	Year 2, Semester Two.
Module Coordinator:	Vijay Lee, BA (Econ), MA (Econ), MBA (Finance), CAIIB, PGCHE, FHEA
MC Contact Details (Tel, Email, Room)	020 7815 7826 leevj@lsbu.ac.uk LR304
Teaching Team & Contact Details (If applicable):	Sara Abdaless Room: LR343 Telephone: 020-7815-6885 Email: abdaless@lsbu.ac.uk Dr. Maria Postoyeva Room: LR302 Telephone: 020 7815 7810 Email: postoyem@lsbu.ac.uk
Subject Area:	Finance & Financial Management
Summary of Assessment Method:	One group coursework assignment. One unseen, three-hour examination. Weights: 40% CW, 60% Exam. Overall pass mark: 40%.
External Examiner appointed for module:	Dr. Lianfeng Quan, University of Greenwich.

2. SHORT DESCRIPTION

This module is an introduction to the basic principles of finance and financial decision-making. It seeks to provide an elementary knowledge of finance, simultaneously highlighting the essential links between accounting and finance concepts; students would thereby be provided with a firm foundation in the theoretical as well as practical aspects of financial decision-making.

3. AIMS OF THE MODULE

The module aims to provide a foundation in finance for students who have had no prior exposure to the subject but who aspire to be accountants or finance professionals, and are therefore seeking a sound technical understanding of the fundamental principles of finance and financial decision-making techniques.

4. LEARNING OUTCOMES

Knowledge and Understanding:

On completion of the module students should be able to:

- Demonstrate a clear conceptual understanding of fundamental principles of finance.
- Evaluate the merits, limitations and practical applications of various financial decision-making techniques that have been developed from these principles.
- Apply the principles, tools and techniques of finance in the analysis and interpretation of diverse financial information, and the making of investment and financing decisions.
- Explain the features and characteristics of alternative sources of capital and evaluate their cost, usefulness and appropriateness under differing circumstances.
- Demonstrate knowledge and understanding of the nature and role of financial markets and institutions.

Intellectual Skills:

On completion of the module students should be able to demonstrate learning and cognitive skills by developing a clear conceptual understanding of financial techniques, and analytical skills through applying these techniques and evaluating their merits and limitations in different situations.

Practical Skills:

On completion of the module students should be able to demonstrate numeracy, problem-solving and decision-making skills by applying the principles of finance and financial decision-making in complex scenarios.

Transferable Skills:

On completion of the module students should be able to demonstrate skills in written and oral communication, team working, planning, organisation and the use of computer applications in finance, particularly the employment of Microsoft Excel to construct financial spreadsheets, analyse financial information, and produce related analytical charts and graphs.

5. ASSESSMENT OF THE MODULE

- (i) A group coursework assignment will count for 40% of the marks for the module. This will involve preparation of a 3,000 word report as from a finance team, in respect of a financial decision. An electronic spreadsheet analysis of the decision would be expected to accompany the report. There will be an element of 'peer assessment' within each group, the group members being required to share the group mark for the written report between themselves, on a basis to be democratically decided by the group, subject to a limit. Groups will also be required to make presentations in respect of the assignment.
- (ii) Three hour closed book examination to count for 60% of the marks for the module. The examination will place greater emphasis on the demonstration of basic technical and numerical skills, and conceptual understanding of the principles of finance.

The minimum mark for each element of assessment will be 30% and the overall pass mark for the module will be 40%.

6. FEEDBACK

The submission date for the assignment is Thursday 27th April 2017, and the group presentations will take place in the following weeks. Feedback on the coursework will be provided in the week commencing 15th May 2017.

7. INTRODUCTION TO STUDYING THE MODULE

7.1 Overview of the Main Content

- The role & objectives of financial management – the agency problem and its control – financial and non-financial objectives in not-for-profit organisations - financial performance analysis.
- Financial markets & institutions and their role in the economy – the efficient markets hypothesis and its implications.
- Determinants of value – financial arithmetic and the time value of money – calculating average rate of return on an investment – risk and return - the concept of opportunity cost – indices & their applications in finance.
- The investment decision: discounted cash flow (DCF) methods of investment appraisal: net present value and the internal rate of return – non-DCF methods of investment appraisal: payback period & accounting rate of return – cash flow estimation with inflation & taxation - project risk appraisal - investment appraisal in practice.
- The financing decision: valuation and characteristics of different types of debt and hybrids (term loans, loan stock, convertible debt, preference shares) – valuation and characteristics of shares – public issues and rights issues – small enterprise finance: the finance gap, venture capital and business angels.
- 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.
- Special types of investment and financing decisions: capital rationing & the profitability index - asset replacement decisions – lease finance – Islamic finance.

7.2 Overview of Types of Classes

The module will combine the use of lectures, seminars and student's personal studies. The lecture will cover the key practical and theoretical aspects of the particular topic, while the seminars will require students to work through exercises and practical case-study type scenarios where the concepts introduced in the lecture will be further probed and applied. The seminars will be organised around questions available beforehand (at least a week earlier). Students will be expected to work on the questions in preparation for the weekly seminar, as part of their self-managed learning, and encouraged to participate actively in the problem-solving process. Comprehensive solutions and reading guidance will be made available after the seminars. All of the module material will be made available via the module's VLE site.

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

An understanding of the fundamentals of finance is important for all individuals and, coupled with the development of numerical, analytical, computing and report-writing skills which are necessary for success on this module, will set students apart in a competitive employment market. Sound financial management is essential for the survival and growth of any organisation, and expertise in the techniques and skills of financial decision-making will make students highly employable.

Group work required for the formative assessment is an important way of developing essential team working skills. Survey reports indicate that employers consider team-working to be the most important skill that graduate job applicants should possess.

8. THE PROGRAMME OF TEACHING, LEARNING AND ASSESSMENT

The seminar relating to each lecture will take place in the week after the corresponding lecture.

Week	Lecture	Topic	Reading
1	Jan 30 th	Financial Management Function	G&Z chapter 1
2	Feb 6 th	Financial Arithmetic – the time value of money	G&Z chapter 5
3	Feb 13 th	Capital Investment Decision I – capital budgeting techniques	G&Z chapter 10
4	Feb 20 th	Capital Investment Decision II – investment appraisal process, cash flow estimation & project risk appraisal	G&Z ch10 sec 10.1, ch11, ch 12 sec 12.1-12.2, ch 6 sec 6.1
5	Feb 27 th	Loan Capital – the valuation & characteristics of Bonds; methods of raising loan capital	G&Z chapter 6
6	Mar 6 th	Share Capital – the valuation & characteristics of Stock; methods of raising equity capital	G&Z chapter 7
7	Mar 13 th	The Cost of Capital – equity vs debt financing; the weighted average cost of capital (WACC)	G&Z chapter 9
8	Mar 20 th	Special types of investment & financing decisions – capital rationing, asset replacement decisions, leasing	G&Z chapter 10, 12.5 and 17.2
9	Mar 27 th	Financial Management Environment – financial markets & institutions, efficient markets hypothesis - Islamic finance	G&Z chapter 2.1 HMRC website manuals on corporate finance
EASTER VACATION			
10	Apr 24 th	Revision	
11	May 1 st	Revision	
12	May 8 th	Revision	
13	May 15 th	Revision	

9. STUDENT EVALUATION

The module will incorporate suggestions and amendments based on the Course Boards and Module Evaluation Questionnaires of previous years. It will also encourage continuous feedback and interaction both from the students and module coordinator during lectures and seminar sessions. The continuous feedback will reflect on the teaching and learning strategies used by the students, will encourage the development of skills, and will aim to increase the students' motivation and level of achievement.

10. LEARNING RESOURCES

10.1 Core Materials

See <https://lsbu.rl.talis.com/lists/2B2132A5-5876-E1AE-9D39-21BF4EEE3543.html>

L.J. GITMAN & C.J. ZUTTER “**Principles of Managerial Finance**” (Global Edition, Pearson, 2015) - *this text, referred to as ‘G&Z’ in the learning materials provided, is prescribed as the main core textbook for the Fundamentals of Finance module.*

10.2 Optional Materials

S. TITMAN, A. J. KEOWN & J. D. MARTIN “**Financial Management Principles and Applications**” (Pearson, 12th Ed, 2014) - *this text, referred to as ‘TKM’ in the learning materials provided, is what was prescribed for the Year 2 module ‘Fundamentals of Finance’ and could also be used.*

BESLEY & BRIGHAM, “**CFIN4**” (Cengage Learning, 2015)

E.F. BRIGHAM & J.F. HOUSTON “**Fundamentals of Financial Management**” (Cengage Learning, 14th Ed, 2015).

D. EVANS, “**A Student’s Guide to Corporate Finance and Financial Management**” (Kaplan, 2011) – *this text contains a concise summarised presentation of most of the key concepts, which students may find useful as a revision aid.*

E. McLANEY, “**Business Finance: Theory & Practice**”, (Pearson, 10th Ed, 2014).

D. WATSON & A. HEAD, “**Corporate Finance - Principles & Practice**” (Pearson, 6th Ed, 2013).

P. ATRILL, “**Financial Management for Decision Makers**” (Pearson, 7th Ed, 2014).

Students are encouraged to read quality newspapers, particularly the Financial Times. Relevant articles in the student magazines of accountancy bodies may also be useful.

Electronic Media

<http://www.lsbu.ac.uk/library/> offers access to databases of finance journals, which students are encouraged to read along with financial papers. Historical financial market data is available on websites such as Yahoo Finance.

Websites

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

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 will be provided through 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/assets/documents/regulations/student-handbook.pdf>

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/assets/documents/library/h2g-library-4.pdf>

For guidance on the Harvard system of referencing:

<https://my.lsbu.ac.uk/assets/documents/library/h2g-library-30.pdf>

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.