



Course Title and Number: Fundamentals of Finance

Instructor: Carolina Valiente

Course Objectives:

The course seeks to introduce students to fundamental concepts in corporate finance and provide an understanding of basic financial calculations. The course also aims to provide a basis for further studies related to managerial responsibilities and financial markets.

Course Learning Outcomes:

On the completion of the course, students should be able to:

- Explain the basic functions and responsibilities of a financial department in a business/ firm;
- Identify crucial elements of the investment and funding decisions;
- Execute calculations to make decisions regarding investment and funding alternatives;
- Expand their confidence in performing financial calculations, communication, team-work and presentation skills to support their activity during the course.

Required Text:

Watson, Denzil and Antony Head. (W&H) (2006) Corporate Finance. Principles and Practice. 4/e. Pearson Education. 0273706446. (Paperback) £39.99.

Further Reading will include:

- Arnold, Glen (2005) Corporate Financial Management. 3/e. Pearson Education. 0273687263 (Paperback). £41.99.
- Keown, Arthur (2003) Foundations of Finance, activebook 2.0. Pearson Education. 0130465399 (Paperback). £31.99.
- Keown, Arthur; Petty, J. William; Matin, John and Scott, David (2006) Foundations of Finance: The logic and Practice of Finance Management, 5/e. Prentice Hall. 0131856057. \$ 113.00.
- Articles from The Economist and The Times.

Due to the evolving situations, the topics, co-curricular activities and the readings used for this 1 course are subject to change. An updated outline and schedule is given to students at the start of each course.

Topics covered will include:

- The Finance Function. The role of the Financial Manager. The Investment Decision. Financial Objectives. W&H Ch. 1.
- Overview of the financial markets and the financial system. Their role and importance. The sources of business finance. W&H Ch. 2.
- Capital Markets and Market Efficiency. Evaluating firm's performance by using financial statements and ratio analysis. W&H Ch.2.
- The Investment Decision. Overview and importance of project appraisal. Calculation of Net Present Value and Internal Rate of Return. Basic Discounted Cash Flow Techniques and comparison with other appraisal methods. Applications, relevant cash flows, risk and sensitivity analysis. W&H Ch.4.
- The Financing Decision. Different sources of financing a business. Raising Equity Finance. Types of equity, methods of issuing. Rights issues, Warrants and other equity issues. Main problems and costs faced by firms engage in equity finance. Calculating the value of right and scrip issues. W&H Ch.5.
- Debt Financing. Fixed and floating interest rates. Bank and security financing. The valuation of fixed interest rate debt. Hybrid finance. Leasing. W&H Ch.6.
- The Distribution Decision - Dividends & Valuation. Dividends relevance/irrelevance. The Gordon growth model. W&H Ch.7.
- Capital Structure. Weighted Average Cost of Capital. The traditional approach. Miller and Modigliani's approaches. The practicalities of employing WACC. W&H Ch. 8.
- An introduction to the management of the investment decision: the concept of risk diversification. CAPM and its use in investment appraisal. W&H Ch. 9.

NOTE: (W&H) Watson, Denzil and Antony Head (2006) Corporate Finance. Principles and Practice. 4/e. Pearson Education. 0273706446. (Paperback) £39.99.

Co-curricular activities will include:

- **Bloomberg's tour**
A "behind the scenes" tour by a staff member which explains the operations which have enabled Bloomberg to establish itself as a leader in financial information

Instructional Methods:

The course combines the use of lectures, seminar discussion and a group project.

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Attendance Policy:

Students are expected to attend all lectures and seminars. The students will also engage in group's activities within and outside formal teaching hours to carry out research and discussion of case studies supplied during the lectures and seminars.

Students are expected to undertake individual regular study hours to prepare solutions to seminar questions before each session.

Assessment Plan:

The course will be assessed by a combination of coursework-presentation and a final written examination. The coursework- presentation assignment will contribute 50% of the overall mark. A two-hour written examination at the end of the course will contribute 50% of the overall mark.

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