

## Liverpool John Moores University

Title: CORPORATE FINANCE  
Status: Definitive  
Code: **6500FI** (107427)  
Version Start Date: 01-08-2011

Owning School/Faculty: Liverpool Business School  
Teaching School/Faculty: Isle of Man International Business School

Team	Leader
Alex Watt	Y

**Academic Level:** FHEQ6  
**Credit Value:** 24.00  
**Total Delivered Hours:** 55.00  
**Total Learning Hours:** 240  
**Private Study:** 185

### Delivery Options

Course typically offered: Runs Twice - S1 & S2

Component	Contact Hours
Lecture	26.000
Tutorial	26.000

**Grading Basis:** 40 %

### Assessment Details

Category	Short Description	Description	Weighting (%)	Exam Duration
Exam	AS1	Examination	75.0	3.00
Essay	AS2	Coursework	25.0	

### Aims

*To provide students with an in-depth analysis of the firm's financing, distribution and risk management decisions.*

### Learning Outcomes

After completing the module the student should be able to:

- 1 Assess the implications of the Efficient Markets Hypothesis to financing and dividend decisions.
- 2 Calculate the firm's cost of equity, debt and preference share capital together with the weighted average cost of capital and analyse a firm's capital structure decision in worlds with and without taxation.
- 3 Evaluate complex investment financing and leasing decisions using the adjusted present value model.
- 4 Analyse corporate dividend policy in worlds with and without taxation.
- 5 Evaluate the firm's short term financing decisions.
- 6 Analyse the valuation of option contracts and evaluate investment appraisal decisions using option-pricing theory.
- 7 Evaluate risk-hedging strategies using forward, futures, swaps and options contracts.
- 8 Analyse the financial implications of merger and take-over activity.

### Learning Outcomes of Assessments

The assessment item list is assessed via the learning outcomes listed:

EXAM	1	2	3	4	5	6	7	8
ESSAY	2	4	5					

### Outline Syllabus

1. Calculation of the cost of capital utilising the dividend valuation model and the capital asset pricing model.
2. Evaluation of the Modigliani and Miller model of optimal capital structure.
3. Consideration of the Adjusted Present Value model in the area of financing and overseas investment.
4. Analysis of the optimal dividend decision.
5. Evaluation of a firm's debtor, stock and cash management policies.
6. Valuation of option contracts using the binomial and Black-Scholes normal distribution model.
7. Evaluate physical investment decisions using the option theoretic framework.
8. Investigate the use of derivative contracts as a way of hedging interest rate and exchange rate risk.
9. Analyse the financial implications of merger and take-over activity.

### Learning Activities

Formal lectures, tutorials, student presentations.

### References

<b>Course Material</b>	Book
<b>Author</b>	Brealey, R, Myers, S and Allen, F

<b>Publishing Year</b>	2008
<b>Title</b>	Principles of Corporate Finance
<b>Subtitle</b>	
<b>Edition</b>	
<b>Publisher</b>	8th edition, McGraw Hill
<b>ISBN</b>	

<b>Course Material</b>	Book
<b>Author</b>	Lumby, S and Jones, C
<b>Publishing Year</b>	2003
<b>Title</b>	Corporate Finance Theory and Practice
<b>Subtitle</b>	
<b>Edition</b>	
<b>Publisher</b>	7th edition, Thompson
<b>ISBN</b>	

<b>Course Material</b>	Book
<b>Author</b>	Ross, S A, Westerfield, R W and Jordan, B D
<b>Publishing Year</b>	2003
<b>Title</b>	Fundamentals of Corporate Finance
<b>Subtitle</b>	
<b>Edition</b>	
<b>Publisher</b>	6th edition, McGraw-Hill
<b>ISBN</b>	

<b>Course Material</b>	Book
<b>Author</b>	Dubofsky, D A and Miller, T W
<b>Publishing Year</b>	2003
<b>Title</b>	Derivatives: Valuation and Risk Management
<b>Subtitle</b>	
<b>Edition</b>	
<b>Publisher</b>	Oxford University Press 0-19-511470
<b>ISBN</b>	

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## Notes

This module evaluates financial structure, distribution and risk management decisions within a corporate environment. The coursework, linking theory and practice, provides an opportunity for formative feedback. The examination is the terminal summative assessment.