

## Liverpool John Moores University

Title: FINANCIAL AND RISK ANALYSIS  
Status: Definitive  
Code: **6503SERFI** (113971)  
Version Start Date: 01-08-2011

Owning School/Faculty: Liverpool Business School  
Teaching School/Faculty: South Eastern Regional College

Team	Leader
Tony Hall	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: Standard Year Long

Component	Contact Hours
Lecture	26.000
Tutorial	26.000

**Grading Basis:** 40 %

### Assessment Details

Category	Short Description	Description	Weighting (%)	Exam Duration
Exam	AS1	Unseen, closed book, exam	67.0	3.00
Report	AS2	Individual assignment allowing a practical evaluation of a firm's financing, dividend and working capital management policies.	33.0	

### Aims

*To provide an in-depth analysis of a 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 the financing and dividend decisions of the firm.
- 2 Evaluate the firms financing decisions.
- 3 Analyse corporate dividend policy.
- 4 Evaluate the firm's short term financing decisions.
- 5 Analyse risk management techniques and the use of derivative contracts.
- 6 Use real options to evaluate investment decisions.
- 7 Communicate effectively within a written report.

### Learning Outcomes of Assessments

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

EXAM	1	2	3	4	5	6
CW	2	3	4	7		

### Outline Syllabus

*Derivation of a firms weighted average cost of capital.*

*Evaluation of the optimal capital structure.*

*Consideration of the Adjusted Present Value model in the areas of financing and overseas investments.*

*Analysis of the optimal dividend policy.*

*Evaluation of the firm's debtor, stock and cash management policies.*

*Valuation of option contracts using the binomial and Black-Scholes option pricing models.*

*Evaluation of physical investment decisions using the option theoretic framework.*

*Use derivative contracts to hedge interest rate and currency risk.*

### Learning Activities

Lectures, tutorials, student presentations.

### References

<b>Course Material</b>	Book
<b>Author</b>	Brealey R.A., Myers S.C & Allen F.
<b>Publishing Year</b>	2008
<b>Title</b>	Principles of Corporate Finance
<b>Subtitle</b>	
<b>Edition</b>	9th edition
<b>Publisher</b>	McGraw Hill
<b>ISBN</b>	0071266755

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<b>Course Material</b>	Book
<b>Author</b>	Dubofsky D.A. & Miller T.W.
<b>Publishing Year</b>	2002
<b>Title</b>	Derivatives: Valuation and Risk Management
<b>Subtitle</b>	
<b>Edition</b>	
<b>Publisher</b>	Oxford University Press
<b>ISBN</b>	0-19-511470

<b>Course Material</b>	Book
<b>Author</b>	Lumby S. & Jones C.
<b>Publishing Year</b>	2003
<b>Title</b>	Investment Appraisal and Financial Decisions
<b>Subtitle</b>	
<b>Edition</b>	7th edition
<b>Publisher</b>	Thompson Business Press
<b>ISBN</b>	1861529260

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### Notes

The module evaluates financial and risk management decisions within a corporate environment.

The assignment allows a practical evaluation of a selected firm's financing, dividend and working capital management decisions and provides formative feedback and evidence of graduate skills development.

The examination is the terminal summative assessment.