

Liverpool John Moores University

Title: FINANCE II
Status: Definitive
Code: **6519CP** (103604)
Version Start Date: 01-08-2013

Owning School/Faculty: Arts, Professional and Social Studies
Teaching School/Faculty: Dublin Business School

Team	Leader
Alistair Beere	Y

Academic Level: FHEQ6
Credit Value: 24.00
Total Delivered Hours: 77.00
Total Learning Hours: 240
Private Study: 163

Delivery Options

Course typically offered: Standard Year Long

Component	Contact Hours
Lecture	50.000
Tutorial	25.000

Grading Basis: 40 %

Assessment Details

Category	Short Description	Description	Weighting (%)	Exam Duration
Essay	AS1	Group Project	30.0	
Exam	AS2	Examination	70.0	2.00

Aims

To provide learners with an appreciation of the different risk exposures affecting different corporate stakeholders.

To provide learners with the ability to recommend hedging techniques appropriate to particular risk exposures and evaluate their suitability.

To provide learners with the knowledge and understanding of a range of financial and non-financial techniques applicable to the valuation of commercial entities.

To enable learners to discuss the motivations for merger and acquisition activity and

assess the implications for stakeholders.

To facilitate learners to achieve the ability to present recommendation of informed investment decisions using advanced appraisal techniques.

Learning Outcomes

After completing the module the student should be able to:

- 1 Explain portfolio theory and the impact of diversification on systematic risk and relationship to CAPM.
- 2 Evaluate investment opportunities using advanced appraisal techniques.
- 3 Interpret and analyse the financial variables which drive share price movements.
- 4 Critically appraise mergers and acquisitions in order to ascertain 'true costs' and gains in the process.
- 5 Critically review the application of CAPM to capital structure.
- 6 Assess the suitability of internationally traded treasury hedging techniques.

Learning Outcomes of Assessments

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

GROUP PROJECT	3	4	5	6		
EXAM	1	2	3	4	5	6

Outline Syllabus

1. *Introduction to the concepts of an efficient market, its meaning and implications.*
2. *Advanced Investment Appraisal - The application of discounting techniques to complex capital rationing situations including impact of inflation, taxation, capital allowances and working capital.*
3. *Theories of Capital Structure and the Cost of Capital - The empirical evidence in relation to both CAPM, and the capital structure debate. The validity of the theoretical models. Calculation of cost of capital for equity and debt (including perpetual and convertible debt).*
4. *Company Valuation Share valuation using available methods: P/E, earnings, free cash flow, CAPM and net assets valuation. Advising on a range of acceptable values.*
5. *Dividend Policy Introduction to dividend theory and policies.*
6. *Dividend Policy - further aspects A review of dividend policy theory. The empirical evidence on the relevance of dividend policy theory, when applied to recent corporate behaviour.*
7. *Introduction to Mergers and Acquisitions The motives for Mergers and Acquisitions. Predatory and defensive strategies. Methods of financing mergers, acquisitions and buy-outs.*
8. *Mergers and Acquisitions - further aspects The impact of M&As on shareholder wealth. A review of the evidence on the factors determining the success, or otherwise, of mergers, acquisitions and management buy-outs.*
9. *Introduction to risk management The nature and types of risk. Approaches to risk*

management.

10. *Domestic and International Treasury Management* The nature and degree of financial risk in domestic and international trading. Identification and quantification of financial risk. Appropriate risk management techniques using forward contracts, options, swaps, futures etc. International capital markets and the complex financial instruments (Futures, Forwards, Swaps and Options) available to the modern treasury manager.

Learning Activities

Lectures and tutorials.

References

Course Material	Book
Author	Arnold, G
Publishing Year	2012
Title	Corporate Financial Management
Subtitle	
Edition	5th
Publisher	Prentice Hall, London
ISBN	

Course Material	Book
Author	Brealey, R., Myers, S. & Allen, F.
Publishing Year	2011
Title	Principles of Corporate Finance
Subtitle	
Edition	10th
Publisher	McGraw Hill, London
ISBN	

Course Material	Book
Author	Head, A. & Watson, D.
Publishing Year	2013
Title	Corporate Finance
Subtitle	Principles & Practice
Edition	6th
Publisher	Financial Times/ Prentice Hall
ISBN	

Course Material	Book
Author	Hull, J
Publishing Year	2011
Title	Options, Futures and other Derivatives
Subtitle	
Edition	8th

Publisher	Prentice Hall, London
ISBN	

Notes

This module provides an understanding of the more advanced investment appraisal techniques and issues which may confront the corporate finance manager in preparing reports to facilitate board decisions. An understanding will be provided of risk assessment and treasury risk management techniques employed to effectively hedge corporate risk exposures.