



Level 6 Advanced Diploma in Finance (531) 151 Credits






Unit: Corporate Financial Management	Guided Learning Hours: 320
Exam Paper No.: 1	Number of Credits: 32
Prerequisites: Knowledge of Finance.	Corequisites: A pass or higher in Diploma in Finance or equivalence.
<p>Aim: The unit outlines finance theories, practice of developing strategies, plans and making investment decisions that positively affect the operations of an organisation. Corporate financial management involves setting goals, planning how to achieve them, and, perhaps most importantly, deciding the best way to pay for them. This is built on three corner stones, namely; Accounting, Finance and Management. On completion of this unit, learners will be able to measure and improve performance drives, manage investment, divestitures and business portfolios, managing cash, risk and regulation requirements, communicate with board members and capital providers and analyse sources of funding. The unit equip learners on understanding how financial decisions are made within a firm, how projects are appraised to make investment decisions, how to evaluate risk and return, where to raise finance and, ultimately, how to create value. Corporate financial management introduce to learners all the key aspects of financial analysis and value based management; including the central basis of finance, reading financial statements, how to analyse them and other techniques that companies use when evaluating investment opportunities.</p>	
Required Materials: Recommended Learning Resources.	Supplementary Materials: Lecture notes and tutor extra reading recommendations.
Special Requirements: The unit requires a combination of lectures, demonstrations and discussions.	
<p>Intended Learning Outcomes:</p> <ol style="list-style-type: none"> Understand the corporate functions, surrounding environment and problems Understand the purpose of capital investment decisions Understand bond characteristics, valuation of bond formula, loan capital examples; including advantages and disadvantages Understand valuation, characteristics of equity share capital, equity capital examples; including advantages and disadvantages. 	<p>Assessment Criteria:</p> <ol style="list-style-type: none"> 1.1 Describe the financing decision 1.2 Explain corporate objectives and agency problems 1.3 Explain wealth maximisation 1.4 Describe Time Value of Money (TVM) 1.5 Analyse the corporation financial market environment 1.6 Explain capital market functions 1.7 Describe efficient market hypothesis 2.1 Describe Time Value of Money 2.2 Describe and calculate annuities and perpetuities 2.3 Explain Internal Rate of Return (IRR) 2.4 Describe amortised investment 2.5 Explain and calculate investment appraisal 2.6 Analyse the determinants investment present value 2.7 Produce cash flow statement 2.8 Describe sensitivity and scenario analysis 3.1 Analyse the cost of borrowing 3.2 Describe yield curve 3.3 Compare and contrast stocks vs bonds 3.4 Demonstrate bond yield calculation 3.5 Justify why bond value fall when market interest rates rise and vice versa. 4.1 Define equity 4.2 Explain advantages and disadvantages of hybrid security

	4.3	Analyse different types of preference shares
	4.4	Calculate value of preference share
	4.5	Outline valuation of ordinary share capital
	4.6	Describe ordinary shares
	4.7	Demonstrate differences between bonds and ordinary shares
	4.8	Describe dividend valuation model
	4.9	Describe the different methods of raising finance
	4.10	Explore rights issue advantages and disadvantages
5. Understand cost of capital decisions, earnings transparency in financial management and Weighted Average Cost of Capital (WACC) calculation	5.1	Describe cost of capital
	5.2	Describe required rate of return
	5.3	Explore different sources of long-term capital
	5.4	Analyse lenders' required rate of return factors
	5.5	Evaluate yield on bonds determinant factors
	5.6	Evaluate expected rate of return on preference share capital
	5.7	Outline ways of estimating "growth"
	5.8	Describe Weighted Average Cost of Capital (WACC)
	5.9	Demonstrate advantages and disadvantages of WACC
6. Understand the capital structure analysis, dividend policy theories, practices, growth and share valuation.	6.1	Define capital structure
	6.2	Describe financial gearing
	6.3	Analyse how choice of capital structure impacts both risk and return
	6.4	Demonstrate business, operational and financial risk
	6.5	Describe the Modigliani-Miller (M&M) theory
	6.6	Describe capital structure management trade off theory
	6.7	Explain pecking order theory
	6.8	Explain dividend irrelevance theory
	6.9	Explore practical factors that influence dividend decisions
	6.10	Describe scrip issue, scrip dividend and share split
7. Understand business valuation methods and techniques; together with working capital investment appraisals, and financial policies.	7.1	Describe the need for valuation
	7.2	Describe earnings valuation
	7.3	Explain bond valuation
	7.4	Outline Discounted Cash Flow (DCF) valuation
	7.5	Describe shareholder value analysis
	7.6	Explain working capital management
	7.7	Outline Baumol's cash management model
	7.8	Describe Economic Order Quantity (EOQ) model
8. Understand portfolio theory assumptions and Capital Asset Pricing Model (CAPM)	8.1	Describe Return on Investment
	8.2	Demonstrate return on investment formula
	8.3	Describe portfolio risk

<p>9. Understand risk management processes, analysis and procedures; including best practices and techniques.</p> <p>10 Understand why capital budgeting decisions are important to firms, society and individuals; effective decision making in selecting the most feasible and valuable investment project</p> <p>11. The biases and framings impacting the behaviour of managers when making decisions about Mergers and Acquisitions (M&A)</p>	<p>8.4 Demonstrate measuring portfolio risk</p> <p>8.5 Analyse determinants of portfolio risk/return</p> <p>8.6 Describe portfolio diversification</p> <p>8.7 Analyse portfolio theory applicability in project appraisal</p> <p>9.1 Outline different types of risks</p> <p>9.2 Describe Purchasing Power Parity (PPP)</p> <p>9.3 Describe Interest Rate Parity (IRP)</p> <p>9.4 Explain categories of exchange rate risk</p> <p>9.5 Explore ways to mitigate transaction risk</p> <p>9.6 Explore ways to mitigate interest rate risk</p> <p>10.1 Outline the steps involved in the capital investment process</p> <p>10.2 Describe how industry characteristics affect ability to create sustainable competitive advantage</p> <p>10.3 Explain how arbitrage works</p> <p>10.4 Demonstrate how to calculate the NPV for projects</p> <p>10.5 Demonstrate how to calculate capital investment desirability</p> <p>10.6 Outline the reasons for mutually exclusive investments</p> <p>10.7 Describe the sources of information in Capital Structure Decisions</p> <p>11.1 Explain how overconfidence can lead to overpayment</p> <p>11.2 Evaluate issues in mergers and acquisitions</p> <p>11.3 Describe merger process</p> <p>11.4 Research on disastrous past and present mergers and acquisitions</p>
<p>Methods of Evaluation: A 3-hour written examination paper with five essay questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Corporate Financial Management with a weighting of 100%.</p>	

Recommended Learning Resources: Corporate Financial Management

<p>Text Books</p>	<ul style="list-style-type: none"> • Corporate Financial Management by Douglas R. Emery, John D. Finnerty and John D. Stowe. ISBN-13: 978-0135032732 • Corporate Financial Management by Glen Arnold ISBN-13: 978-0273758877 • Corporate Finance and Investment: Decisions and Strategies by Prof Richard Pike, Mr Bill Neale, Mr Philip Linsley ISBN-10: 1292064064
<p>Study Manuals</p> 	<p>BCE produced study packs</p>
<p>CD ROM</p> 	<p>Power-point slides</p>
<p>Software</p> 	<p>None</p>