



Level 5 Diploma in Accounting & Finance (519)
167 Credits



Unit: Corporate Finance	Guided Learning Hours: 240
Exam Paper No.: 2	Number of Credits: 24
Prerequisites: Knowledge of accounting concepts covered in Level 4 Accounting Principles (Cert in BA) and Level 5 Accounting (Dip in BA).	Corequisites: A pass or higher in Diploma in BA & Computer Systems or equivalence.
<p>Aim: An overview of the theory, principles, and practices of financial management in a business environment. Topics include financial analysis and financial risk, characteristics and valuations of securities, capital investment analysis and decision making, the capital structure of the firm, financial leverage, and international finance. Emphasis is on the application of financial theory and methods for solving the problems of financial policy faced by managers. Analysis of the theory of corporate finance and empirical evidence regarding corporate finance. Managerial decision making; corporate financial policy, dividend policy, agency theory, corporate restructuring, capital structure strategies, mergers and acquisitions; option pricing fundamentals, convertible debt, callable debt, warrants. Other topics in corporate finance including capital structure, dividend policy, financial restructuring, bankruptcy, and leasing. Emphasis is placed on recent developments in corporate finance and financial economics.</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> <p>1 The framework for the nature and scope of corporate finance and the use of valuation models for investment.</p> <p>2 The core principle of finance that money available at the present time is worth more than the same amount in the future due to its potential earning capacity.</p> <p>3 The difference between the present value of cash inflows and the present value of cash outflows.</p>	<p>Assessment Criteria:</p> <p>1.1 Define Corporate Finance</p> <p>1.2 Outline the main components of Corporate Finance</p> <p>1.3 Explain the nature of Short and Long Term (Capital) Investment Decisions.</p> <p>1.4 Describe share and bond valuation and also for the assessment of the risk level within asset portfolios</p> <p>2.1 Explain the difference between the concepts of simple interest and compound interest</p> <p>2.2 Demonstrate calculating compound interest and simple interest</p> <p>2.3 Demonstrate calculating the present values and future values of cash flows</p> <p>2.4 Demonstrate calculating the net present value and the internal rate of return of an investment</p> <p>2.5 Define and determine the future value of investment made today and the present value</p> <p>2.6 Describe the idea that provided money can earn interest, any amount of money is worth more the sooner it is received</p> <p>3.1 Describe the primary decision too; NPV</p> <p>3.2 Describe secondary decision tools- Payback period, Capital Efficiency, ROI, IRR.</p> <p>3.3 Define valuing flexibility</p> <p>3.4 Define quantifying uncertainty</p> <p>3.5 Explain how 'Net Present Value (NPV) is used in capital budgeting to analyse the profitability of an investment or project</p> <p>4.1 Explain the nature of equity financing</p>

<p>4 Understand how the financing decision of the firm can affect both the cost of capital and the set of cash flows that you discount?</p>	<p>4.2 Demonstrate valuation of shares using dividend valuation model and CAPM. 4.3 Explain the nature of debt financing 4.4 Describe the valuation of debt (Bonds) 4.5 Determine the optimal combination of debt and equity 4.6 Compute Weighted Average Cost of Capital (WACC) 4.7 Analyse and identify the dividend decision.</p>
<p>5 Understand how to implement an effective working capital management system and the main aspects of working capital management.</p>	<p>5.1 Define working capital management 5.2 Calculate working capital. 5.3 Define key terms, including cash conversion (operating cycle), average debtors collection period, average creditors payment period and liquidity.</p>
<p>6 Cash flow management techniques and the importance of managing cash flow properly.</p>	<p>6.1 Define debtor management 6.2 Demonstrate how to apply the Miller- Orr Model (Economic Order Quantity, Lead time, Interest) 6.3 Demonstrate how to apply the Modigliani Model 6.4 Describe the purpose and techniques of management of cash</p>
<p>7 Stock management, external and internal factor influence of demands.</p>	<p>7.1 Describe the main motive for Stock Management. 7.2 Describe stock techniques and systems 7.3 Define and describe Supply Chain Management 7.4 Define and describe Economic Order Quantity 7.5 Define and describe Economic Production Quantity (EPQ) 7.6 Define and describe Just-In-Time (JIT) systems.</p>
<p>8 Understand the main elements / dimensions of debtor management and the main purpose and process of management of debtors.</p>	<p>8.1 Explain the terms credit policy, credit limit, credit period, trade discount, cash discount. 8.2 Outline the process involved in credit control. 8.3 Demonstrate calculating and explain the result of Average Debtors Collection Period (ADCP). 8.4 Describe possible methods of reducing the ADCP 8.5 Explain the terms, capital structure, leverage of capital structure, capital gearing and the importance of capital gearing ratio 8.6 Describe the characteristics of debt capital 8.7 Explain gearing ratio 8.8 Define financial gearing</p>
<p>9 The principles of improving cash flow using credit management, why cash needs to be monitored, protected, controlled and put to work.</p>	<p>9.1 Calculate and explain the significance of 'Average Creditors Payments Period' 9.2 Describe and explain negotiation of creditors' payments period. 9.3 Identify other sources of short term financing- Bank Overdrafts, Bank Loans, Debt factoring (invoice financing).</p>
<p>10 The distinction between a "merger" and</p>	<p>10.1 Outline the motives for Mergers and</p>

<p>an "acquisition" and explore the various methods of financing a mergers and acquisitions.</p> <p>11 Discounted cash flow (DCF) valuation analysis and calculating the uses future earnings to find the fair value of stock shares.</p>	<p>Acquisition (M&A)</p> <p>10.2 Explain the types of mergers</p> <p>10.3 Distinguish between mergers and acquisitions.</p> <p>10.4 Identify actions that a company can take when deciding to move forward using M&A.</p> <p>10.5 Explain the purpose and actions involved in Due Diligence assignments.</p> <p>11.6 Describe the advantages and disadvantages of using cash</p> <p>11.7 Describe the advantages and disadvantages of borrowing from a bank or by the issue of bonds.</p> <p>11.8 Analyse a combination of cash and bonds or cash and stocks of the acquiring company.</p> <p>11.9 Describe factoring</p> <p>11.1 Analyse the asset valuation process</p> <p>11.2 Describe the historical earnings valuation process.</p> <p>11.3 Describe the future maintainable earnings method.</p> <p>11.4 Describe the relative method (comparable company and comparable transactions) process.</p> <p>11.5 Describe the discounted cash flows valuation process.</p> <p>11.6 Compare and contrast asset valuation; historical earnings valuation; future maintainable earnings valuation; relative valuation (comparable company & comparable transactions)</p>
<p>Methods of Evaluation: A 2½-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 Finance with a weighting of 100%.</p>	

Recommended Learning Resources: Corporate Finance

<p>Text Books</p>	<ul style="list-style-type: none"> • Principles of Corporate Finance with S&P bind-in card by Richard A Brealey, Stewart C Myers, Franklin Allen. ISBN-10: 0071266755 • Corporate Finance: Theory and Practice by Pierre Vernimmen, Pascal Quiry , Maurizio Dallocchio, Yann Le Fur, Antonio Salvi. ISBN-10: 0470092254 • An Introduction to Corporate Finance: Transactions and Techniques (Securities Institute) by Ross Geddes . ISBN-10: 0470026758
<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>