LONDON CAPITAL COMPUTER COLLEGE

Diploma in Business Economics (870) – Business Finance

Prerequisites: Knowledge of accounting and business terminology.	**Corequisites:** A pass or higher in Certificate in Business Studies or equivalence.
Aim: This course is designed to provide a theoretical or conceptual framework that candidates can use to make decision in the Business environment. Topics include: capital markets, investment underwriting, long term debt versus lease financing, common and preferred stock financing, dividend policy and retained earnings, derivatives, convertibles, warrants, and external growth through mergers. This course covers the process of starting a business, raising capital, managing the finances of the business throughout its growth, and ultimately cashing out of the business. It also includes the process on purchasing a business via a leveraged buyout. The course is very practical but rigorous to fit middle market and emerging business firms. It gives students real-world experiences and approaches rather than theories. Entrepreneurial Finance delivers real-world advice and insightful information sought by those who want to start their own businesses. Discussion of the environment and problems facing a financial manager in a multinational enterprise. Topics covered include: balance of payments; foreign exchange markets; transactions and operating exposure; financing of international trade; international financial markets; risk evaluation in foreign direct investments; international banking. A qualification in Business Finance helps prepare candidates for a wide range of career opportunities in all industries and sectors of the economy. Among the finance career fields are consulting, financial management analysis, financial budget analysis, and investments. Students graduating with a major in Finance receive among the highest average starting salaries of business graduates.	
Required Materials: Recommended Learning Resources.	**Supplementary Materials:** Lecture notes and tutor extra reading recommendations.
Special Requirements: The course requires a combination of lectures, demonstrations and discussions.	
Intended Learning Outcomes:	**Assessment Criteria:**
1. Outline the strategies firms use to carry out financial analysis and planning, investments analysis, capital structure and dividend policy. Analyse the role of hedging in strategic financial analysis.	1.1 Define the functions and concepts of finance 1.2 Analyse the functions of a manager and how they relate to a business 1.3 Identify the different types of business financial statements 1.4 Understand the purpose of financial statement analysis 1.5 Outline profit, profitability and break-even analysis 1.6 Construct forecasting and pro-forma financial statements 1.7 Understand the concept of working capital management 1.8 Understand the purpose and need for capital budgeting 1.9 Define personal finance
2. Outline the role of capital market in providing finance to meet the denomination, liquidity, maturity, risk (with respect to credit, interest rate, and market). Explore the capital market funding.	2.1 Define company management investment decisions 2.2 Define shareholder investment decisions 2.3 Describe Fisher's separation theory 2.4 Describe Treasury bills 2.5 Describe Governement agency securities and negotiable certificates of deposits 2.6 Explore commercial paper, bankers'

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	acceptances, repurchase agreements, eurocurrency deposits, eurocurrency loans, futures instruments and options instruments.
3. Outline why the time value of money is the central concept in finance theory. Explore the concepts and calculations used in solving time value of money (TVM) problems in finance.	3.1 Define time value of money fundamentals 3.2 Calculate simple interest 3.3 Distinguish nominal, effective, real and continuous interest rates 3.4 Define the geometric rates of return 3.5 Define annuity. Be able to calculate ordinary annuity, annuity due, deferred annuity and ordinary perpetuity 3.6 Calculate future and present value of lump sums 3.7 Calculate future and present value of annuities
4. Define Security valuation and risk analysis. Demonstrate the credit model for determining an accurate fair value and reliable discount rate for a company.	4.1 Analyse the financial tools used to value debt and equity securities 4.2 Analyse how shares are valued 4.3 Define interest rate risk 4.4 Explore bond duration and immunisation 4.5 Demonstrate how to take advantage of early warning signs related to cash flow and credit metrics 4.6 Be able to estimate the cost of equity capital from which free cash flows are discounted 4.7 Be able to identify where management can free up resources by using a better definition of free cash flow
5. Describe the difference between economic value added and market value added? Analyse the principles and methods of project evaluation	5.1 Analyse the capital expenditure process 5.2 Explore the evaluation and selection of investment proposals 5.3 Analyse project evaluation methods 5.4 Identify the link between Economic Value Added (EVA) and Net Present Value (NPV)
6. Describe the use of sensitivity analysis; break-even analysis and simulation techniques	6.1 Identify principles used in estimating project cash flows 6.2 Explain chain replacement assumptions 6.3 Discuss decisions on retiring or replacing a project 6.4 Outline application of project evaluation methods
7. Describe the risks shown by the Portfolio Theory and outline how in reality no matter how much an investor diversifies, some risks such as systematic risks cannot be eliminated. Portfolio theory and asset pricing model	7.1 Explore how risk and return are defined and measured 7.2 Calculate portfolio return and risk 7.3 Describe systematic risks 7.4 Describe unsystematic risks 7.5 Define CAPM
8. Explore the Capital Markets Division sections (i) Primary Market (PM) (ii) Secondary Market (SM)(iii) External Markets (EM) (iv)	8.1 Analyse the functions and organisational structures of capital market 8.2 Define capital market

External Commercial Borrowings (ECB)	8.3 Discuss financial markets regulations 8.4 Analyse financial agency institutions 8.5 Identify financial intermediaries 8.6 Identify investing institutions
9. Define 'Short-Term Debt'. Analyse why the value of an account is important when determining a company's financial health.	9.1 Analyse the different forms of short-term debt 9.2 Identify purpose of short-term debts 9.3 Define promissory notes and bills of exchange 9.4 Outline short-term debt sustainability indicators
10. Outline how financing of anew business can be categorized into two different types: debt financing and equity financing.	10.1 Identify characteristics of ordinary shares 10.2 Define equity; its advantages and disadvantages 10.3 Analyse characteristics of preference shares 10.4 Outline private equity 10.5 Describe the process of floating a public company 10.6 Evaluate the different ways companies raise capital 10.7 Explain different types of employees share plans
11. Define 'Long-Term Debt'. Describe why debts obligations such as bonds and notes are considered long-term debt.	11.1 Describe the characteristics of long-term debt 11.2 Identify business loans features and benefits 11.3 Identify marketable long-term debt securities
12. Describe how dividend policy may in turn impact on investors and perceptions of the company in the financial markets.	12.1 Describe factors influencing dividend policy 12.2 Define dividend policy and its relevance to shareholders 12.3 Outline capital gains tax system and the effects on returns 12.4 Describe shares re-purchase
13. Explore how the Modigliani–Miller theorem states that, in the absence of taxes, bankruptcy costs, and asymmetric information, and in an efficient market, a company’s value is unaffected by how it is financed, regardless of whether the company’s capital consists of equities or debt, or a combination of these, or what the dividend policy is.	13.1 Outline the effects of financial leverage 13.2 Discuss the Modigliani and Miller theory 13.3 Describe how taxes and other factors may influence capital structure decisions 13.4 Analyse the pecking order theory. Explore the implications of trade-off; pecking order and free cash flow theories 13.5 Describe the main factors in determining a financing strategy 13.6 Describe the advantages of Modigliani–Miller theory 13.7 Describe the disadvantages of Modigliani–Miller theory
14. Describe all capital sources that can be included in a WACC calculation. Demonstrate the WACC equation.	14.1 Outline the risk, return and the cost of capital 14.2 Explore the cost of capital weighting system 14.3 Define Weighted Average Cost of

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	Capital (WACC); its advantages and disadvantages 14.4 Outline the effects of taxes on net cash flows and asst disposal
15. Describe the investors' concerns about off-balance sheet assets and liabilities that result from the application of today's lease accounting rules.	15.1 Define operating leases; finance leases leverage leasing and cross-border leasing 15.2 Outline accounting and taxation of leases 15.3 Identify advantages and disadvantages of leasing 15.4 Distinguish Chattel Mortgage and Hire Purchase (HP) 15.5 Does the elimination of operating lease accounting improve financial reporting by lessees?
16. Analyse the implications of efficiency market hypothesis for investors and financial managers.	16.1 Outline the different categories of market efficiency 16.2 Identify methods of testing market efficiency 16.3 Describe the relationship between behavioural finance and efficiency market hypothesis 16.4 Describe the Capital Market Efficiency theory and hypothesis
17. Outline how futures contracts priced, sold and delivered? Describe why the futures market is extremely liquid, risky and complex by nature	17.1 Outline futures contracts and how the futures markets are organised 17.2 Analyse determinants of futures prices 17.3 Explain the financial futures contracts traded 17.4 Describe the uses of forward-rate agreements 17.5 Describe how the market works and the futures fundamentals characteristics
18. Demonstrate how traders use options to speculate, which is a relatively risky practice, while hedgers use options to reduce the risk of holding an asset.	18.1 Explain the option terminology 18.2 Distinguish between options and futures 18.3 Be able to apply option pricing theorems 18.4 Outline uses of foreign currency options and options on futures 18.5 Define contingent claims 18.6 Options and option markets characteristics
19. Define mergers and acquisitions and takeovers. Describe why buying another business is easy but making the merger a success is full of pitfalls	19.1 Outline reasons for takeovers 19.2 Distinguish cash and share-exchange takeovers 19.3 Analyse the regulation and tax effects of takeovers 19.4 Explore acquisition and takeover analysis
20. Describe the exchange rate policies. Outline the rules and procedures for exchanging national currencies.	20.1 Evaluate the importance of international transactions to the economy 20.2 Be able to read and interpret foreign exchange rates 20.3 Analyse the roles of interest rates and inflation rates

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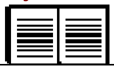
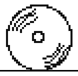
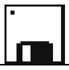
	20.4 Outline the behaviour of exchange rates 20.5 Define exchange risk' currency swaps
21. Describe if inventory is a Financial Asset. Explore the three types of inventories in a firm's operations (i) raw materials (ii) Semi-finished (iii) finished products	21.1 Analyse the importance of short-term assets to the economy 21.2 Identify the short-term assets 21.3 Outline the inventory costs 21.4 Explore the Economic Order Quantity (EOQ) model
22. Outline the firm's primary liquid assets (i) Cash and Cash Equivalents (ii) Receivables (Recording Receivables and Uncollectible Accounts (iii) Marketable Securities (Tradable Securities, Available for Sale, Held to Maturity)	22.1 Define short-term assets (liquid assets and accounts receivable) 22.2 Describe characteristics of liquidity management 22.3 Outline Baumol and Miller & Orr cash management models 22.4 Analyse the different short-term investments 22.5 Outline the elements of a credit policy 22.6 Outline how accounts receivable can be utilised as a means of financing

Recommended Learning Resources: Business Finance

Text Books	• Business Finance by Eddie McLaney. ISBN-10: 0273717685 • Business Finance: A Value Based Approach by Mr Bill Neale & Trefor McElroy. ISBN-10: 0201619040 • Business Finance: A Pictorial Guide by Paul Burns & Peter Morris. ISBN-10: 075061899X
Study Manuals 	BCE produced study packs
CD ROM 	Power-point slides
Software 	Excel

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