IB114-15 Financial Management

21/22

Department
Warwick Business School
Level
Undergraduate Level 1
Module leader
Elizabeth Whalley
Credit value
15
Module duration
10 weeks
Assessment
Multiple
Study location
University of Warwick main campus, Coventry

Description

Introductory description

- Introduce students in an informal way to key issues in Financial Management.
- Help students to develop an intuitive understanding of the main theories and models of Financial Management.
- Provide students with structured opportunities to practise using the key tools and techniques of Financial Management.
- Encourage students to start reading the financial press on a regular basis and to make links with what they are learning in the classroom.
- Engage students in critical reflection of topical issues in business ethics, corporate governance and financial regulation.
- Motivate further study of Finance.

Module web page

Module aims

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Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

Financial Arithmetic: discounted cash flow, net present value, internal rate of return.
Financial Markets: Equities, Bonds, Interest Rates, Currencies.
Market Efficiency: Efficient markets, calendar anomalies, speculative bubbles.
Project Appraisal: incremental cash flows, cost of capital, inflation, tax, economic rent, managerial flexibility and examples of real options.
Cost of Capital: weighted average of cost of equity and cost of debt.
Company Financing: raising financing, equity vs. debt, pecking-order hypothesis, rights issues, underwriting.
Capital Structure: irrelevance propositions, taxes, costs of financial distress, agency effects, signalling.
Dividend Policy: irrelevance proposition, taxes, transactions costs, signalling, agency effects, share buy-backs as an alternative to dividends.
Financial Planning: short-term and long-term liability management.
Looking beyond the numbers: business ethics, corporate governance, financial regulation and lessons learned from the Global Financial Crisis 2008.

Learning outcomes

By the end of the module, students should be able to:

- Calculate the present value of expected future cash flows.
- Estimate the cost of capital for a project.
- Understand how inflation and tax impact valuation of capital projects.
- List the different forms of market efficiency.
- Compare and contrast the main sources of financing for a company.
- Explain what is meant by capital structure and dividend policy, and discuss the relevance of each to corporate financial management.
- Explain the importance of financial planning over both the short term and long term.
- Debate the importance of ethics, regulation and politics in modern-day finance and the lessons learned from the Global Financial Crisis in 2008.
- Engage in informed debate about the importance of 'looking beyond the accounting and finance numbers', and in particular the goal of maximising shareholder value, to consider wider issues of ethics and politics in, and regulation of, financial conduct, with particular reference to the Global Financial Crisis of 2008.

Indicative reading list

Hillier D, Ross S, Westerfield R, Jaffe J and Jordan B, Corporate Finance (3rd European edition) McGraw-Hill 2016
Pike R, Neale B & Akbar S (with Linsley P), Corporate Finance and Investment (9th edition) Pearson 2018
Arnold G, Corporate Financial Management (6th edition) Pearson 2019
Clark D, The Global Financial Crisis and Austerity Policy Press 2016
Tooze A, Crashed – How A Decade of Financial Crises Changed The World Allen Lane 2018

Subject specific skills

Spreadsheet modelling skills.

Transferable skills

Use discounted cash-flow techniques to value financial securities and/or estimate the value added by capital projects.
Construct spreadsheets to calculate Net Present Values and Internal Rates of Return.

Study

Study time

Type	Required
Lectures	10 sessions of 2 hours (13%)
Seminars	9 sessions of 1 hour (6%)
Private study	48 hours (32%)
Assessment	73 hours (49%)
Total	150 hours

Private study description

Private Study.

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Assessment group D2

	Weighting	Study time
Participation	10%	8 hours
In-person Examination	90%	65 hours
Exam		

~Platforms - AEP

- Answerbook Green (8 page)
- Students may use a calculator

Assessment group R1

	Weighting	Study time
In-person Examination - Resit	100%	
~Platforms - AEP		

- Answerbook Green (8 page)
- Students may use a calculator

Feedback on assessment

In-class and feedback via my.wbs.

Past exam papers for IB114

Availability

Post-requisite modules

If you pass this module, you can take:

- IB235-15 Finance 1: Financial Markets
- IB396-15 Financial Statement Analysis and Security Valuation

Courses

This module is Core for:

- Year 1 of UIBA-N400 Undergraduate Accounting and Finance
- Year 2 of UIBA-N403 Undergraduate Accounting and Finance (with Foundation Year)