

IB254-15 Principles of Finance 2

26/27

Department

Warwick Business School

Level

Undergraduate Level 2

Module leader

Richard White

Credit value

15

Module duration

10 weeks

Assessment

Multiple

Study location

University of Warwick main campus, Coventry

Description

Introductory description

This is an elective module available for WBS and non-WBS students. To find detailed availability and to apply for this module, log in to my.wbs.ac.uk using your normal IT login details and apply via the my.wbs module application system. Once you've secured a place on my.wbs you should apply via your home department's usual process, which usually takes place via eVision. Note that you do not require the module leader's permission to study a WBS module, so please do not contact them to request it.

[Module web page](#)

Module aims

Make students critically aware of the key financial decisions taken by firms.

Develop in students a sound understanding of the main theories and models of Corporate Finance.

Make students aware of key empirical tests of models of Corporate Finance, and the implications of those empirical findings.

Provide students with structured opportunities to practice using the key tools and techniques of Corporate Finance.

Prepare students for advanced undergraduate and postgraduate studies in Finance

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.

Capital Budgeting:

Discounted Cash Flow techniques for appraising capital projects.

Equity valuation:

Dividend growth models, P/E and other methods, growth opportunities.

Real Options:

Investment appraisal under uncertainty.

Cost of Capital:

Weighted average of cost of equity and cost of debt in the presence of taxes.

Risky Debt:

Valuation of risky debt using option pricing. Effects of volatility.

Capital Structure:

Irrelevance propositions, taxes, costs of financial distress, agency costs, signalling.

Payout Policy:

Irrelevance proposition, taxes, transactions costs, signalling, agency effects. Share buy-backs as an alternative to dividends.

Mergers / Acquisitions:

Vertical vs. horizontal mergers, motives for mergers, methods of financing mergers, merger process.

Initial Public Offerings:

IPO process, under-pricing, under-performance.

Learning outcomes

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

- Critically assess the factors that determine the optimal investment, financing and payout decisions of a firm.
- Compute the cost of capital of a firm under alternative assumptions.
- Identify the reasons why firms raise capital.
- Define key shareholder ratios (e.g. earnings per share, dividend yield and price earnings ratio) and use discounted cashflow techniques to estimate share prices.
- Discuss the main motives for mergers and acquisitions.
- Explain key theoretical models, and reflect critically on the limitations of those models and the assumptions that underpin them.
- Interpret empirical evidence.
- Solve structured numerical problems and analyse case study information
- Communicate complex ideas effectively, both verbally and in writing.

Indicative reading list

[Reading lists can be found in Talis](#)

Subject specific skills

Solve structured numerical problems. Write informed critiques of key issues in corporate finance. Analyse case studies and construct arguments to support a particular solution.

Transferable skills

Apply option valuation techniques to value a firm's equity and debt, and its real options. Use web-based resources to find and retrieve data on companies, and spreadsheets to process that data.

Explain and interpret corporate financial information.

Study

Study time

| Type | Required |
|-------------------------------|----------------------------|
| Lectures | 10 sessions of 1 hour (7%) |
| Seminars | 9 sessions of 1 hour (6%) |
| Online learning (independent) | 10 sessions of 1 hour (7%) |
| Private study | 48 hours (32%) |
| Assessment | 73 hours (49%) |
| Total | 150 hours |

Private study description

No private study requirements defined for this module.

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 DA

| | Weighting | Study time | Eligible for self-certification |
|--|------------------|-------------------|--|
| Participation | 10% | 8 hours | No |
| Centrally-timetabled examination (on-campus) | 90% | 65 hours | No |

- Students may use a calculator
- Answerbook Pink (12 page)

Assessment group R4

| | Weighting | Study time | Eligible for self-certification |
|--|------------------|-------------------|--|
| Centrally-timetabled examination (on-campus) | 100% | | No |

- Students may use a calculator
- Answerbook Pink (12 page)

Feedback on assessment

Feedback via My.WBS

[Past exam papers for IB254](#)

Availability

Pre-requisites

To take this module, you must have passed:

- All of
 - [IB253-15 Principles of Finance 1](#)
 - [IB3FP-15 Principles of Finance \(for Finalists\)](#)

Anti-requisite modules

If you take this module, you cannot also take:

- IB235-15 Finance 1: Financial Markets
- ST339-15 Introduction to Mathematical Finance
- IB2CF-15 Corporate Finance for Business
- EC333-15 Topics in Financial Economics: Theories and International Finance

- IB236-15 Finance 2: Corporate Finance

Courses

This module is Optional for:

- UCSA-I1N1 Undergraduate Computer Science with Business Studies
 - Year 2 of I1N1 Computer Science with Business Studies
 - Year 3 of I1N1 Computer Science with Business Studies
- UCSA-I1NA Undergraduate Computer Science with Business Studies (with Intercalated Year)
 - Year 2 of I1NA Computer Science with Business Studies (with Intercalated Year)
 - Year 4 of I1NA Computer Science with Business Studies (with Intercalated Year)
- Year 1 of UIOA-EEU Undergraduate EU Exchange
- UGEA-RN21 Undergraduate German and Business Studies
 - Year 2 of RN21 German and Business Studies
 - Year 3 of RN21 German and Business Studies
- UIPA-L8N1 Undergraduate Global Sustainable Development and Business
 - Year 2 of L8N1 Global Sustainable Development and Business Studies
 - Year 3 of L8N1 Global Sustainable Development and Business Studies
- UIPA-L8N2 Undergraduate Global Sustainable Development and Business Studies (with Intercalated Year)
 - Year 2 of L8N2 Global Sustainable Development and Business Studies (with Intercalated Year)
 - Year 4 of L8N2 Global Sustainable Development and Business Studies (with Intercalated Year)
- UMAA-G1N4 Undergraduate Mathematics with Business Studies
 - Year 3 of G1N4 Mathematics with Business Studies
 - Year 3 of G1N4 Mathematics with Business Studies
- UMAA-G1N5 Undergraduate Mathematics with Business Studies (with Intercalated Year)
 - Year 2 of G1N5 Mathematics with Business Studies (with Intercalated year)
 - Year 4 of G1N5 Mathematics with Business Studies (with Intercalated year)
- UIOA-EOS Undergraduate Overseas Exchange
 - Year 1 of UEOS Undergraduate Overseas Exchange
 - Year 1 of UEOS Undergraduate Overseas Exchange
- UPXA-F3ND Undergraduate Physics and Business Studies (with Intercalated Year)
 - Year 2 of F3ND Physics & Business Studies with Intercalated Year
 - Year 4 of F3ND Physics & Business Studies with Intercalated Year
- UPXA-F3N2 Undergraduate Physics with Business Studies
 - Year 2 of F3N2 Physics with Business Studies
 - Year 3 of F3N2 Physics with Business Studies
- Year 1 of UIOA-EUS Undergraduate USA Exchange