

DEPARTMENT OF ACCOUNTING AND FINANCE
AG105 Introduction to Finance & Financial Statistics
2021/22 SEMESTERS 1 & 2

Names of lecturers: Prof Graeme Acheson/Dr Chandra Thapa

Room numbers: Stenhouse 3.15/3.30

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Please do not hesitate to contact either of us if you have any problems with the lectures or tutorials. Office hours (or virtual zoom hours) will be posted to myplace. These are drop in times and no appointments are required.

Course Tutor: TBC

The tutor will lead the tutorials and help you understand the issues developed in the lectures, textbooks and assignments. They will check attendance and deal with any problems you have with questions in tutorials.

Tutorial questions should be completed in advance of the class. The class tutor will focus on reviewing any questions that have caused difficulty. Note, the tutor may not finish all the questions set for your tutorial each week in the class; you should work on these questions and discuss any problems you may have with your tutor. Solutions will also be posted on the course webpages.

CLASS DESCRIPTION

The class provides an introduction to finance, covering the basic theories of financial markets, corporate finance and investment, financial management, personal finance, security analysis and statistical applications in finance.

CLASS AIMS

The purpose of this class is to provide an introduction to finance and statistical concepts as applied in finance. In semester one you will be introduced to the fundamental principles and theories of finance and provided an awareness of the important role of the financial manager. The topics included will be financial markets, time value of money, valuation of stocks and bonds, and capital budgeting methods. Semester two aims to introduce statistical methods employed in finance, such as reporting and interpreting basic descriptive statistics, probability theories, hypotheses testing and regression analysis. This class is essential for students wishing to study finance and pursue a career in accounting or finance.

Alternative formats of teaching materials are available on request.
Please contact Jillian D'Agostino in the departmental office of Accounting and Finance.

LEARNING OUTCOMES

The following learning outcomes will contribute to your self-analysis and reflection in your Student's Personal Development Planning (SPDP). These learning outcomes will be assessed using the methods explained in the "Assessment" section in this Outline.

Subject-specific knowledge and skills

On completing this class the student will have the ability to:

- A1 Understand the role and objectives of the corporate finance manager;
- A2 Appreciate the external environment in which a business entity functions and the interactions between the financial manager and other stakeholders;
- A3 Understand the role of banks and the sources of finance they can provide to businesses;
- A4 Understand the primary and secondary equity markets, including how to calculate and interpret stock market ratios and indices;
- A5 Understand how to value securities and the concept of risk and return;
- A6 Understand the importance of portfolio theory and explain the concepts of diversification and risk and the capital asset pricing model;
- A7 Understand and apply the concept of the time value of money;
- A8 Analyse investments using investment appraisal techniques and have an appreciation of their strengths and weaknesses;
- A9 Have an understanding of how the main principles of finance apply to the finance and investment decision of an individual or family unit;
- A10 Explain and interpret basic descriptive statistics and their use to investors;
- A11 Test competing hypotheses using basic univariate and multivariate analysis.

Cognitive abilities and non-subject specific skills

During the class you will:

- B1 Develop sound analytical skills.
- B2 Develop academic skills in listening, reading and writing.
- B3 Develop the ability to work within a team.
- B4 Develop the ability to collate information from a variety of sources including newspapers and the world-wide web.
- B5 Develop an understanding of the role of analysis in the development of practical decision making techniques.

ASSESSMENT

The assessment for the course is split between two class tests, one in each semester, and a final exam in the May / June diet. The weightings for the course assessment are as follows:

Class test 1 (Date/Time: TBC)	25%
Class test 2 (Week 10 – Date/Time: TBC)	25%
Final exam (May 2021)	50%

The university pass mark for the course is 40%. No exemptions from the course exam are available for this class due to accountancy accreditation requirements.

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ICAS accreditation also requires that students achieve an overall weighted average grade of 50% or above in this class to gain appropriate exemptions. For purposes of accreditation, students must also pass class test 2 with a grade of 50%. Class test 2 focuses on statistics, which is a separately assessed topic for accreditation purposes.

Students who pass the class and/or the statistics test with a grade of between 40% and 49% have the option to take a resit for the respective piece of assessment to increase their grade to 50% or above to meet accounting accreditation requirements, but are not required to do so to meet the university's own pass requirements. A resit for class test 2 will be offered to all those students who fail and score less than 50% in the main class test.

REASSESSMENT

Students failing to pass the course in the first instance are required to take a resit examination in August that will count for 100% of their overall course grade. Students re-sitting the course must obtain a mark of 40% in the resit exam to pass.

PENALTIES FOR LATE SUBMISSION

The Business School follows the university's late penalty policy:

https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_and_Procedure_for_the_Late_Submission_of_Coursework.pdf.pagespeed.ce.dLHAXb3k-D.pdf

FEEDBACK

The standard turnaround time for all feedback and marking within SBS is 15 working days from assessment submission.

The University policy on Assessment and Feedback is available here:

http://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/assessment_and_feedback_policy_-_Effective_Sep_14.pdf

COMPENSATION SCHEME

The Faculty Compensation scheme is as follows:

- Where a student has a weighted average of at least 45% (pass) across all classes, and class(es) for which the mark is 30-39% (fail), the failed class(es) will be deemed to have been passed by compensation.
- Where a first year class is passed by compensation, the student will not be permitted to proceed with that subject in second year, unless mitigating circumstances acceptable to the Board are met, and are submitted in advance of the meeting of the Board.

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- Where a first, second or third year class is passed by compensation, the student will not normally be permitted to proceed to Honours in that subject, this is at the discretion of the department. The student does have the right to reject this pass and resit the class.

RESIT POLICY

1. Students who have failed a class will be given the opportunity to resit the class during the August resit diet.
2. Results for resits will not be capped at 40.

TEACHING AND LEARNING

You will have three hours of class contact in most weeks: two lectures, and one further hour in a tutorial.

Lectures are intended to direct your reading and to explain and illustrate the techniques used in collating and presenting accounting information. You should read ahead on the textbook so that you can obtain the maximum benefit. Lecture slides are available online and paper copies can be picked up from the mail trays in the department of accounting and finance in advance of the class. Lectures will primarily be focused on working through and discussing practical examples to support the theoretical material covered in the course textbook.

Tutorials are designed to provide you with the opportunity for discussion and development of thinking about the subject in a small group setting. Tutorial work should be completed before the class meets. Active participation in tutorials is important and this will be encouraged by tutors to the extent of occasionally requiring short presentations by students. At all times students are expected to supplement their learning by reading the prescribed textbook(s) and newspaper or web articles. **Attendance at tutorials is mandatory and will be monitored.**

Registration for tutorials is carried out through the class myplace site. Students are required to sign up for one tutorial per week. Further details will be provided by the department administrators.

ATTENDANCE AND ASSESSMENT REQUIREMENTS:

Attendance at tutorials is mandatory and will be monitored. If your attendance is unsatisfactory then you will receive a warning letter, which will be retained in a departmental file. It is a requirement for course completion to submit all parts of the class assessment. **Non-submission of any part will result in an overall mark of zero being awarded for the class.**

Students with special needs should contact Jillian D'Agostino in the Department of Accounting and Finance. If you need any of the class materials in a different format due to special needs, you should get in touch with Jillian.

ACHIEVEMENT OF LEARNING OUTCOMES

The achievement of learning outcomes is necessary to successfully complete the class, both in terms of your learning development and in your class assessment. It is important, therefore, that you are confident about achieving these outcomes as the class progresses. Attached to the class outline is a Record of Learning Outcomes Achievement. This will serve to help you focus

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on the learning outcomes by keeping a record of when and how you feel you have achieved each outcome.

PRE-REQUISITES

None.

REQUIRED READING – Since this is mostly a technical course, you **MUST** pre-read the assigned chapters before the lectures.

Corporate Finance, 4rd European Edition, Hillier, Ross, Westerfield, Jaffe and Jordan, McGraw Hill, 2020.

DR Anderson, DJ Sweeney and TA Williams *Essentials of Contemporary Business Statistics*, Southwestern, 5th Edition, 2012

All students will require a copy of these textbooks and chapter references from the books will be provided in the class reading each week, which is noted at the end of this syllabus. The Corporate Finance text will also be used in the year 2 AG215 Business Finance class.

Web sites:

Reference will be made to the class website in the lectures and any lecture notes that you do not collect in class can be accessed through the web page. You will also be directed to relevant online resources in the statistics and personal finance sections of the class. The textbook has a web-site, which has useful additional information for the class, check out the student centre.

LECTURE PROGRAMME

The aim of the class is to provide an introduction to the fundamentals of finance and investment, presented within a coherent framework of analysis. Most of the analysis is set within the context of business finance with the emphasis placed on valuation, investment analysis, risk and the cost of capital. The financial statistics element of the course aims to provide an overview of the applications of basic statistics to a business organization, and their use in investment analysis.

The financial function deals with the financial consequences of the management's actions (or inaction). It is no more important than other functional areas such as marketing, operations or human resource management. All contribute to the general management of the business, the formulation of business strategy and the endeavor to keep the business on course. Failure "to get the numbers right" does, however have possibly fatal consequences for the firm, and all managers should therefore have at least a basic understanding of the financial aspects of the business. This class aims to give a basic grounding in the subject, which should encourage you to take an active interest in financial matters, read the financial press and ask the right questions.

Businesses need to obtain money to invest in buildings, equipment and stock, and perhaps also to finance credit given to customers. Before a company can generate cash income it first must invest. Those that provide the required finance (investors) will not provide it free of charge. A rational investor would want as good a return on their investment as they could obtain elsewhere

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for the same level of risk. Management must therefore assess whether the projects in which they wish to invest, and for which the funds are required, will generate sufficient cash inflows to give the required return. In an uncertain world they cannot, of course, be certain. The assessment and management of risk is a very important part of the general management task. It is not unique to finance.

Finance might very briefly be stated as dealing with:

- Decisions on investment in projects
- The raising of finance for these projects
- Decisions on choices between sources of finance
- The markets in which funds are raised and in which securities are dealt
- The management of the company's cash resources

Throughout finance problems arise where cash flows arise at different points in time. Such problems are similar to asking whether you would prefer £10,000 today or £22,000 in three years' time. Compound interest is used to adjust for the time value of money. Finance is based on cash flows. It recognizes the importance of cash flows as distinct from the accountant's notion of profit.

A brief plan of the course teaching in each semester is provided below.

Semester 1 (Delivered by Prof. Graeme Acheson)

Teaching Week	Lecture topic	Textbook reading (HRWJJ)	Lecture time	Format	Tutorial
1	Introduction		Mon 3-4	Live Zoom	
	Financial markets	Mishkin Ch.2	Wed 11-12	Live Zoom	
2	Financial markets	Ch. 9		Myplace	
	Time value of money	Ch. 4	Wed 11-12	Live Zoom	
3	Time value of money	Ch. 4	Mon 3-4	Live Zoom	Tutorial 1
	Time value of money	Ch. 4		Myplace	
4	Time value of money	Ch. 4		Myplace	Drop in
5	Bonds	Ch. 5	Mon 3-4	Live Zoom	Tutorial 2
	Bonds	Ch. 5		Myplace	
6	Bonds	Ch. 5		Myplace	Tutorial 3
	Stocks	Ch. 5	Wed 11-12	Live Zoom	
7	Stocks	Ch. 5	Mon 3-4	Live Zoom	Tutorial 4
	Stocks	Ch. 13	Wed 11-12	Live Zoom	
8	Stocks	Ch. 13	Mon 3-4	My Place	Drop in
9	Investment appraisal	Ch. 6-7	Mon 3-4	Live Zoom	Tutorial 5
	Investment appraisal	Ch. 6-7		Myplace	
10	Investment appraisal	Ch. 6-7		Myplace	Tutorial 6
	End of term summary		Wed 11-12	Live Zoom	
11	Reserve week		Mon 3-4		
	Reserve week		Wed 11-12		

Each topic will involve a combination of delivery methods and activities.

1. We will meet for a minimum of one live Zoom lecture in each topic area.
2. Further support videos on each topic will be uploaded to myplace. These videos will cover important concepts and you are expected to watch them. They will often be more technical in nature (mathematical), and lend themselves well to this format. An indication of the volume of material can be gauged from the number of myplace slots noted beside the topic (each slot equating to 1hrs material).
3. Each topic will have an accompanying tutorial. As noted above, we expect tutorial questions to be completed in advance of the class. These will be delivered in a small group setting via Zoom. They will give you a chance to discuss key concepts with your tutor and classmates.
4. Additional reading and technical exercises will be uploaded to myplace as appropriate.

In weeks 4 and 8 students will be on campus to engage in their MDP sessions. As such, we will have no timetabled hours in those weeks. Students will be expected to continue with their self-study in those weeks and take advantage of drop in sessions with their tutor if they have queries about the material they have covered.

Please note that room information, schedule and contents are subject to change. Please check timetabling prior to the course start date. Any change in the contents and schedule will be notified in the class well in time.

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AG105 Semester 2 Schedule (Dr Chandra Thapa)

Week No.	Lecture No.	Class Lecture - Semester 1	Textbook Reading	Lecture Time	Format (TBC)	Tutorial for the week
1	1	Data and statistics	ASW ch.1	Mon 3-4		No Tutorial
	2	Descriptive statistics I	ASW ch.2	Wed 11-12		No Tutorial
2	3	Descriptive statistics II	ASW ch.3	Mon 3-4		No Tutorial
	4	Introduction to probability	ASW ch.4	Wed 11-12		No Tutorial
3	5	Probability distributions I	ASW ch.5	Mon 3-4		No Tutorial
	6	Probability distributions II	ASW ch.6	Wed 11-12		No Tutorial
4	7	Sampling distributions	ASW ch.7	Mon 3-4		Stats 1
	8	Interval estimation I	ASW ch.8	Wed 11-12		
5	9	Interval estimation II	ASW ch.8	Mon 3-4		Stats 2
	10	Hypothesis testing I	ASW ch.9	Wed 11-12		
6	11	Hypothesis testing II	ASW ch.10	Mon 3-4		Stats 3
	12	Hypothesis testing III	ASW ch.10	Wed 11-12		
7	13	Linear regressions I	ASW ch.12	Mon 3-4		Stats 4
	14	Linear regressions II		Wed 11-12		
8	15	Measuring historical risk & return using statistical tools	HRWJJ ch.9	Mon 3-4		Stats 5
	16	Expected risk and return I	HCRWJ ch.9 & 10	Wed 11-12		
9	17	Expected risk and return II	HCRWJ ch.9 & 10	Mon 3-4		Stats 6
	18	Expected risk and return III	HCRWJ ch.9 & 10	Wed 11-12		
10	19	Expected risk and return IV		Mon 3-4		Risk & Return I
		Class test (covers statistics part only, lecture 1-14)		Wed 11-12		
11		Resit class test – If needed		Mon 3-4 Wed 11-12		Risk & Return II

Please note that room information/format of delivery and contents are subject to change. Please check timetabling prior to the course start date. Any change in the contents will be notified in the class well in time. Semester two delivery methods and activities will be notified before the beginning of classes in January 2021.

Learning activities

You **MUST** follow the following plan/activities to appreciate this technical course.

Pre-lecture activities

- You **MUST** read the relevant chapters from the prescribed core text.
- You **MUST** practice all the end of chapter questions. The suggested solutions are on myplace.
So please **Practice! Practice! Practice!**

During lecture activities

- You **MUST** be attentive to the contents of the lectures.
- Interrupt the lecturer and **ASK QUESTIONS** if you do not follow anything during the lectures.

Post lecture activities

- You **MUST** attempt all the tutorial questions. Again, **Practice! Practice! Practice!**

During tutorial activities

- You must verify the steps and the answers with your workings as the tutorial is delivered.
- Interrupt the tutor and **ASK QUESTIONS** if you do not follow anything during the tutorials.

Post tutorial activities

If you still need help then please:

- Set-up a meeting with the lecturer related to the contents taught in the lectures.
- Set-up a meeting with the tutor related to the content discussed in the tutorials.

If you only rely on the lectures and tutorials, and ignore other learning activities, it will severely undermine your learning.