

DEPARTMENT OF ACCOUNTING AND FINANCE
AG151 Introduction to Finance & Accounting
2019/20 SEMESTERS 1 & 2

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CLASS DESCRIPTION

The class provides an introduction to finance and accounting, covering the basic concepts and practicalities of corporate finance, the principles of valuation, financial management and business investment, the role and purpose of company accounts and their usefulness, security analysis, risk and returns from investments, and personal finance.

At all times the class content will be linked with financial behaviour and events in the real world.

CLASS AIMS

This class aims to provide an understanding of the basic principles of finance and investment, both in theory and in practice. It also provides sufficient coverage of accounting principles to enable an understanding of the purpose and preparation company accounts, their usefulness for decision making and for the evaluation of business performance. The class provides a solid foundation for further studies in Finance. It begins with the concept of a business organisation and the role of the financial manager. It then covers in detail the fundamental concept of the time value of money followed by the valuation of securities such as bonds and shares, the appraisal of business investments. The class then introduces accounting by examining how financial statements are prepared, and the nature of the information they provide for investors and other users of accounts, as well as the behaviour of costs and the use of accounting within organisations. This aspect of the class also embraces corporate governance and the role of directors and auditors. This is followed by a detailed analysis of the risk of investing in financial securities such as company shares, and how this is linked with expected returns. Finally, the class covers important aspects of personal finance in everyday life.

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

Alternative formats of teaching materials are available on request. Please contact Jillian D'Agostino in the departmental office of Accounting and Finance, 3rd Floor Stenhouse Building.

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

- A1 Understand the main elements of modern financial theory;
- A2 Understand the objectives of business organisations and the role of the financial manager;
- A3 Understand and apply the concept of the time value of money when valuing assets and investments;
- A4 Use correct procedures to value securities such as bonds and shares, and understand and measure the relationships between rates of return and security prices;
- A5 Understand how financial markets work, how securities are traded, and the role of financial institutions;
- A6 Understand and apply the methods for evaluating business investment with an awareness of the strengths and weaknesses of various appraisal methods;
- A7 Understand role and purpose of accounting in business organisations,
- A8 Understand how income statements, cash flow statements, and statements of financial position are prepared and interpreted; and their relevance and usefulness to business and other users of accounts;
- A9 Analyse business performance through the calculation and interpretation of financial ratios;
- A10 Explain directors' responsibilities and the role of the auditors in corporate governance;
- A11 Understand the nature of different types of risk when investing in securities, how risk is measured and managed, and the risk-return relationship;
- A12 Have an understanding of personal finance, how the main principles of finance and investment apply to the decisions of an individual or family unit;

Cognitive abilities and non-subject specific skills

During the class the student will:

- B1 Develop the ability to execute basic calculations.
- B2 Develop academic skills in reading and writing.
- B3 Carry out practical assignments using analytical skills.
- B4 Work within a group to structure and develop a practical assignment, developing team work skills.
- B5 Access and analyse financial and business information from a variety of sources including newspapers, financial statements, and the world-wide web.
- B6 Develop an understanding of the role of analysis in the development of practical decision taking techniques.
- B7 Evaluate the usefulness of information and financial analysis.

ASSESSMENT

Coursework based assessment:

- **TWO** class tests
Class tests based on the previous weeks work will be held (**week 7 of Semester 1 AND week 11 Semester 2**).

STUDENTS MUST ATTEND THE CLASS TESTS TO ACHIEVE AN EXEMPTION

- **TWO** assignments (with an element of group work).
The assignments will require the students to access financial information from financial newspapers and financial websites. The first assignment can be completed as a group or an individual assignment and the second assignment is a group assignment.

Assessment dates

Assignment 1 (semester 1 - 2019)

Given out in Lectures

Week 6 Wed 30th Oct

Submit by

Week 11 - 4pm Mon 2nd Dec 2019

Assignment 2 (semester 2 - 2020)

Week 4 Wed 12th Feb

Week 7 - 4pm Mon 2nd Mar 2020

All assignments have to be submitted on MyPlace for marking

Semester 1: **Class test** (1 hour – week 7), Tuesday 5th November 2019 at 1pm (Room to be confirmed) LECTURE TIME.

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Semester 2: **Class test** (1 hour – week 11), Tuesday 31st March 2020 at 13.00 (Room to be confirmed)
LECTURE TIME.

EXEMPTION CRITERIA

Students who obtain an average mark of 60% or more in their coursework (assignment and class tests) will be awarded a pass and exempted from the final exam. Your overall mark for the course is recorded on your student record.

The average mark for the coursework is calculated as follows:

$$(0.25 \times \text{class test 1}) + (0.25 \times \text{assignment 1}) + (0.25 \times \text{assignment 2}) + (0.25 \times \text{class test 2})$$

Students who do not reach the required standard in coursework to achieve an exemption are required to take the Final Exam in May 2020. Students who take the final exam must obtain an overall average mark of 40% or more to pass, calculated by applying weightings of 50% to the coursework mark (calculated as above) and 50% to the final exam.

If you are prevented from taking any of these through illness or personal circumstances, you must inform the departmental office as soon as possible (and no later than 5 days after an assessment).

You are required to attempt all pieces of assessed work. Failure to do so may not just result in a mark of 0 for the assessment/class test, but failure of the overall class, which could have a serious impact on your progress or degree classification. It is your responsibility to make sure that you understand the non-submission penalties for each assessment.

NQ POLICY

It is important that you attend all tutorials and submit all pieces of assessment (class tests and assignments) which are required for each class you are taking. If you fail to attend a number of tutorials, or if you fail to submit work, the co-ordinator for the class(es) concerned can ask the Business School to mark you as NQ (Not Qualified to Sit Exam).

Each department will be able to advise you of what they consider to be satisfactory performance, and departments will warn you if they consider you to be at risk of NQ. If you are NQd for a class you will be notified by letter before the exam diet in question. An NQ is treated as a fail: you will normally be permitted to sit the exam as a resit, but your mark for the overall class will be capped at 40%.

Reassessment - RESIT POLICY

1. Students who do not receive an exemption and have failed the class during the April/May exams will be given the opportunity to resit the class diet of exams.
2. Results for resits will not be capped at 40% unless students have been NQd.

Students who fail the class must obtain 40% or more in the resit examination in August. The mark obtained in the resit exam is 100% of the final mark (no course work mark is included).

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

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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:

[https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Assessment and Feedback Policy.pdf.pagespeed.ce.ugGorsUOnQ.pdf](https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Assessment_and_Feedback_Policy.pdf.pagespeed.ce.ugGorsUOnQ.pdf)

COMPENSATION SCHEME

The Business School follows the university's policy:

[https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy on Compensation Scheme.pdf.pagespeed.ce.BBKaC-jsDw.pdf](https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_on_Compensation_Scheme.pdf.pagespeed.ce.BBKaC-jsDw.pdf)

TEACHING AND LEARNING

Students are introduced to the main themes and topics in the **lectures**. These are reinforced, extended and developed through the discussion of prepared questions in **tutorials**. The tutorial questions are intended to check your understanding of the lecture content and your ability to explain the key concepts involved. You are expected to prepare your solutions in advance of the tutorials. This will prepare you for the modes of Assessment (explained below). Active participation in tutorials is important and will be encouraged by the tutors. At all times students are expected to supplement their learning by reading the prescribed textbook(s), the financial pages of newspapers and web articles.

It is important to keep up-to-date with the material covered as the class is progressive and therefore knowledge of earlier topics is required in order to understand subsequent topics.

LECTURES

There are two 1-hour lectures each week

Term 1

TUESDAY 1pm - 2pm Room: JA325

WEDNESDAY 10m - 11am Room: JA325

Term 2

TUESDAY 1pm - 2pm Room: JA325

WEDNESDAY 10am - 11am Room: JA325

40 hours of lectures for course.

TUTORIALS

Although the basic themes are introduced in the lectures, students are expected to develop these ideas through discussion and preparation of questions set for tutorials.

Tutorials begin in **WEEK 3 in BOTH semesters 1 and 2.**

Tutorials are compulsory. Attendance is monitored. Non-attendance on a regular basis will mean a "Non-Qualified" award at the final exam. Please inform us if there are reasons that affect your attendance at tutorials

PRE-REQUISITES

None

READING

D. Hillier, Ross, Westerfield, Jaffe and Jordan: Corporate Finance (Third European Edition) McGraw-Hill (ISBN: 9780077173630)

There are several copies in the library.

Alternative Textbook

Brealy, R., Myers, S. and Allen, F. (2010). Principles of Corporate Finance. (International Edition) McGraw-Hill 2nd edition

Damodaran, A. (2006). Corporate Finance: Theory and Practice. Wiley 2nd edition

WEB-SITES

The department of Accounting and Finance webpage is: <http://www.strath.ac.uk/accfm>. On the webpage you can find useful information about the class and the department.

Lecture notes can be collected from the department each week and can also be accessed through the AG151 pages on Myplace. Tutorial solutions and guidelines are posted on Myplace, though not before the tutorials have taken place.

LECTURE PROGRAMME

SEMESTER 1 – Andrew Marshall			
Week	Lectures	Subject	Tutorial this week?
1	1&2 (24 th & 25 th Sep)	Why study Finance? Introductory, taster lecture. Case studies and examples	NO
2	3&4 (1 st & 2 nd Oct)	Principles of valuation The time value of money, compound interest, future values and present values, discounted cash flows, rates of return	NO
3	5&6 (8 th & 9 th Oct) <i>Reading Hillier et al Chapter 4</i>	Principles of valuation (continued) The time value of money, compound interest, future values and present values, discounted cash flows, rates of return	YES
4	7&8 (15 th & 16 th Oct) <i>Reading Hillier et al Chapter 4</i>	Principles of valuation (continued) Multiple cash flows, annuities and perpetuities	YES
5	9&10 (22 nd & 23 rd Oct) <i>Reading Hillier et al Chapter 4</i>	Principles of valuation (continued) Annuities due and growth annuities, mortgages and amortization. Annual percentage rate (APR) and effective interest rate (EAR). Inflation: real and nominal values. Application of valuation principles, bank accounts and other forms of saving, costs of borrowing and mortgages. Introduction to Valuation of companies.	YES
6	11&12 (29 th & 30 th Oct) <i>Reading Hillier et al Chapter 3</i>	Financial statements Accounting for business decisions, introduction to the role and purpose of accounting. Review of the statement of financial position of a major business corporation Income and cash flow statements, usefulness for decision making. Preparation of statements of financial position	YES
7	CLASS EXAM	Tuesday 5th November 2019 at 1pm – Lecture Time	YES
8	13&14 (12 th & 13 th Nov) <i>Reading Hillier et al Chapter 3</i>	Accounting conventions. Link between accounting numbers and the evaluation of cash flows from business investments.	YES
9	15&16 (19 th & 20 th Nov) <i>Reading Hillier et al Chapter 3</i>	Financial Ratios Measures of profitability, efficiency, liquidity, gearing and solvency. Interpretation and evaluation of business performance	YES
10	17&18 (26 th & 27 th Nov) <i>Reading Hillier et al Chapter 2</i>	Corporate Governance Role of company directors and auditors; agency problems and the UK corporate governance code. Importance to the integrity of financial statements.	YES
11	19&20 (3 rd & 4 th Dec)	Overview of the relationship between Finance and Accounting.	YES

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SEMESTER 2 – Andrew Cotton			
Week	Lectures	Subject	Tutorial this week?
1	1&2 (21 st & 22 nd Jan) <i>Reading Hillier et al Chapter 1</i>	Introduction to Personal Finance Forms of business organization, the corporation. Goals of the corporation and the role of the financial manager. Investment and financing decisions. Financial markets and institutions. Savings and investment instruments, financial products and regulations.	NO
2	3&4 (28 th & 29 th Jan) <i>Reading Hillier et al Chapter 5</i>	Valuation of Bonds Bond characteristics; bond prices and yields, yield to maturity and the yield curve; government bonds, corporate bonds and the risk of default. Principles of bond investment.	NO
3	5&6 (4 th & 5 th Feb) <i>Reading Hillier et al Chapter 5</i>	Valuation of Bonds (continued) Valuation of shares Dividend growth model. Practical examples of share valuation models.	YES
4	7&8 (11 th & 12 th Feb) <i>Reading Hillier et al Chapter 5</i>	Valuation of shares (continued) Earnings model. Practical examples of share valuation models.	YES
5	9&10 (18 th & 19 th Feb) <i>Reading Hillier et al Chapter 6</i>	Investment Appraisal – Valuation of projects NPV, IRR and Payback	YES
6	11&12 (25 th & 26 th Feb) <i>Reading Hillier et al Chapter 9</i>	Risk and return Measurement of stock market returns, the historical record, variability of returns, variance as a measure of risk, risk and diversification, portfolio theory.	YES
7	13&14 (3 rd & 4 th Mar) <i>Reading Hillier et al Chapter 9</i>	Risk and return The capital asset pricing model, market risk and specific risk of securities. Measuring investment performance, Market Efficiency.	YES
8	15&16 (11 th & 12 th Mar) <i>Reading Hillier et al Chapter 10</i>	Risk and return Weighted average cost of capital, Opportunity cost of capital for investment projects; determination of a suitable discount rate.	YES
9	17&18 (17 th & 18 th Mar) <i>Reading Hillier et al Chapter 15 & 18</i>	Introduction to key topics in corporate finance Capital structure and dividend policy.	YES
10	17&18 (24 th & 25 th Mar) <i>Reading Hillier et al Chapter 15 & 18</i>	Introduction to key topics in corporate finance Capital structure and dividend policy.	YES

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11	CLASS EXAM	Tuesday 31 st March 2020 at 1pm – Lecture Time	YES
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UNIVERSAL MARKING GUIDE (ASSESSMENT DESCRIPTOR) 2019/20

https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Assessment_and_Feedback_Policy.pdf.pagespeed.ce.ugGorsUOnQ.pdf

This marking scheme relates to the marking of individual assessments, and not to the aggregate marks returned for classes. There are two types of assessment:

Type A: Numerically based assessments, assessments with short answers

Where assessments are numerical in nature, or where there are questions with each answer attracting a small number of marks, the full 0-100 percentage point marking scale should be used. This type of assessment is common where there is a clear right and wrong answer (e.g. multiple choice examinations).

Type B: Other assessments

Where an assessment cannot be categorised as Type A, such that there is no clear right and wrong answer, and instead it may be the quality of analysis and argument that are assessed (e.g. essays), assessments should be marked using the Type B scale, which is a restricted percentage scale.

Class	Type A	Type B	Descriptor
UG: First	90 - 100	92, 100	Exceptional demonstration of the learning outcomes Exceptional in most or every respect, the work demonstrates all of the characteristics noted for First class in the Outstanding range below and is also well beyond the level expected of a highly competent student at their level of study, and could not be bettered for the level of study.
	80 - 89	84	Outstanding demonstration of the learning outcomes Outstanding in most respects, the work is what might be expected of a highly competent student at their level of study. <u>The work demonstrates most of the following attributes:</u> <ul style="list-style-type: none"> - A breadth of appropriate and focused knowledge, and a deep and critical understanding of the subject matter - An outstanding standard of synthesis and evaluation, and a critical and insightful analysis - Complexity of thought, creativity, insight and/or originality - Evidence of comprehensive reading and thought of significant complexity and well beyond, but still relevant to, course/assignment materials - Outstanding use of references and exemplars, well beyond, but still relevant to, course/assignment materials - An outstanding standard of writing and communication and/or presentation, that is clearly and logically structured
	70 - 79	72, 75, 78	Excellent demonstration of the learning outcomes Excellent in most respects, the work is what might be expected of a very competent student at their level of study. The work demonstrates <ul style="list-style-type: none"> - Wide, appropriate and focused knowledge and critical understanding of the subject matter - An excellent standard of synthesis and evaluation and/or shows critical and insightful analysis - Some complexity of thought, insight and/or originality - Evidence of comprehensive reading and thought beyond course/assignment materials - Excellent use of references and exemplars - An excellent standard of writing and communication and/or presentation, that is clearly and logically structured
UG: Upper second	60 - 69	Low 2.1: 62 Mid 2.1: 65 High 2.1: 68	Comprehensive demonstration of the learning outcomes Very good or good in most respects for the level of study in displaying attainment of the learning outcomes, with marks at the higher end of this scale reflecting stronger and more consistent attainment of the learning outcomes. This work demonstrates: <ul style="list-style-type: none"> - A very good or good level of appropriate knowledge and critical understanding of the subject matter, with only occasional lapses in detail - Very good or good synthesis, analysis, reflection, understanding and/or critical evaluation - Evidence of reading and thought beyond course/assignment materials - Appropriate use of references and exemplars - A good standard of writing and communication and/or presentation, that is clearly and logically structured
UG: Lower second	50 - 59	Low 2.2: 52 Mid 2.2: 55 High 2.2: 58	Satisfactory demonstration of the learning outcomes: The work is satisfactory for the level of study and clearly meets the requirements for demonstrating the relevant learning outcomes. Marks at the higher end of this scale reflect stronger and more consistent attainment of the learning outcomes for this standard of work. This work demonstrates: <ul style="list-style-type: none"> - Satisfactory knowledge and a reasonable understanding of the essential material - Weaknesses in the synthesis and/or analysis, reflection, understanding and critical evaluation of material, resulting in parts of the work being overly descriptive in nature

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			<ul style="list-style-type: none"> - General accuracy with occasional mistakes and/or reduced focus on the main issue or lapses in detail - Limited evidence of reading and thought beyond course/assignment materials - A satisfactory standard of writing and communication and/or presentation, where there may be weaknesses in the clarity and/or structure of the work - Appropriate use of references and exemplars, though there may be minor flaws in the referencing technique
UG: Third	40 – 49	Low 3 rd : 42, Mid 3 rd : 45, High 3 rd : 48	<p>ASSESSMENTS AT YEARS 1-4: <u>Limited demonstration of the learning outcomes.</u></p> <p>ASSESSMENTS AT YEAR 5 & PGT LEVEL: <u>Unsatisfactory demonstration of the learning outcomes.</u></p> <p>The work meets the minimum requirements for demonstrating the relevant learning outcomes for the level of study in years 1 to 4, but not at year 5 and PGT level. Marks at the higher end of this scale reflect stronger and more consistent attainment of the learning outcomes for this standard of work, although ultimately insufficiently at year 5 and PGT level. This work demonstrates:</p> <ul style="list-style-type: none"> - Basic knowledge and understanding - A weak argument which is not logically structured or which lacks clarity or is based on unsubstantiated statements - No relevant critical analysis - Insufficient evidence of reading and thought beyond course/assignment materials - Poor organisation and/or presentation - A lack of references and exemplars
UG: Fail	30 - 39	32, 35, 38	<p>ASSESSMENTS AT YEARS 1-4 <u>Marginal fail: Inadequate demonstration of the learning outcomes</u></p> <p>ASSESSMENTS AT YEAR 5 & PGT LEVEL: <u>Inadequate demonstration of the learning outcomes</u></p> <p>The work fails to meet the minimum requirements for demonstrating the relevant learning outcomes for the level of study. Marks at the higher end of this scale reflect stronger and more consistent attainment of the learning outcomes within this range of marks. This work demonstrates:</p> <ul style="list-style-type: none"> - An insufficient level of knowledge and understanding - A poorly structured, poorly developed, or incoherent argument, or no argument at all - An awkward writing style or poor expression of concepts - A lack of familiarity with the subject and/or assessment method - Insufficient evidence of reading and thought beyond course/assignment materials - A lack of references and exemplars
	20 - 29	20	<p>Clear fail: Weak demonstration of the learning outcomes</p> <p>The work is very weak or shows a decided lack of effort. The work demonstrates</p> <ul style="list-style-type: none"> - Very poor or confused knowledge and understanding, with reference to only a few key words, phrases or key ideas - No argument or one based on irrelevant and erroneous content - Irrelevant content and extensive omissions - Weaknesses of presentation and/or logic and/or evidence - Inadequate evidence of learning - Incomplete or inadequately presented references, if any
	1 - 19	10	<p>Minimal demonstration of the learning outcomes</p> <ul style="list-style-type: none"> - The work is extremely weak. The work demonstrates: No knowledge or understanding of the area in question - Incomplete, muddled, and/or irrelevant material - Irrelevant or little content, extensive omissions - Weaknesses of presentation and/or logic and/or evidence - Deficient evidence of learning - Incomplete or inadequately presented references, if any
	0	0	No relevant work submitted for assessment