

DEPARTMENT OF ACCOUNTING AND FINANCE
AG215 Business Finance
2021/22 SEMESTER 1

Names of lecturers: Patrick McColgan

Room number: Stenhouse 3.24

Telephone extensions: 3690

E-mail addresses: patrick.mccolgan@strath.ac.uk

Course Tutors: Jai Geelal and Olakunle Olaboopo (Tutorials); Donald Campbell and Martin Kemmitt (Computer labs)

Please do not hesitate to contact me if you have any problems with the lectures or tutorials. Online office hours through Zoom will be posted to myplace. These are drop in times and no appointments are required.

CLASS DESCRIPTION

In the first instance this class builds on the introductory investment appraisal material covered in the first year AG105 and AG151 Finance classes.

The aim of the class is to provide an understanding of financial management within a business enterprise. The class builds on introductory investment appraisal rules from first year to consider the appropriate cash flows to be evaluated when undertaking an investment project, and building up to how to value a business enterprise, and how companies determine their cost of capital for such projects.

The class will also consider financing issues related to the forecasting and management of cash flows over time to ensure sufficient liquidity. Finally, the course will also provide a framework to allow students to understand a company's financial policy decisions relating to payout policy, leasing, raising equity capital in efficient markets, and capital structure.

CLASS AIMS

The emphasis in this class will be upon the analytical techniques and logical ideas necessary to analyse the firm's investment and financing decisions. The class will discuss the optimal investment decisions of firms, the optimal financial structure to fund these investments and the mechanisms for distributing corporate wealth to shareholders.

Through computer based application of the above material the class will also aim to develop student's understanding of business statistics and sensitivity analysis in

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investment decisions. It will also enable them to develop skills in the use of spreadsheet software for financial analysis, modelling, decision making and statistical analysis.

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. Identify investment projects that increase the firm's market value, using the concepts of net present value and equivalent annual cost, and present this information in a spreadsheet;
- A2. Assess the value of a business enterprise using accounting valuation, relative valuation / multiplier approaches, and discounted cash flow methods;
- A3. Be able to recognise models for management of the company's working capital and cash balances;
- A4. Understanding the implications of the efficient markets hypothesis for corporate financial managers;
- A5. Be able to discuss the different ways a company may raise equity capital, including initial public offerings and seasoned equity offerings and understand how the UK regulatory framework limits the discretion of companies in the choice of offering method;
- A6. Assess the firm's cost of equity and debt capital, and the weighted average cost of capital (WACC);
- A7. Explain why the financial structure used by a firm can affect its market value, with reference to taxes, financial distress costs and incomplete contracting;
- A8. Explain why investors care about the payout policy of the firm.

Cognitive abilities and non-subject specific skills

During the class you will:

- B1. Problem solving in the issues that face corporate financial managers;
- B2. Evaluating alternative theories in the areas that are of concern to corporate financial managers;
- B3. Develop team working skills through participation in tutorial workshops;
- B4. The ability to independently source and analyse information and present one's findings effectively;
- B5. The ability to relate theoretical concepts to the real world;
- B6. The ability to use spreadsheets for problems requiring quantitative analysis.

ASSESSMENT

A class test will count for 20% of your overall course grade. This test will take place during the class lecture time slot on Friday 12th November 2021. This is an online multiple choice test that will be taken through the class myplace site.

The remaining 80% of your overall course grade will be based on the final examination, which will take place during the exam diet in December 2021. Further details regarding the exam will be provided during the course.

An overall weighted average mark of 40% is required to pass the class. Please also note that students taking this class as an elective for accounting accreditation require an overall weighted average mark of 50% for the course.

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.

PENALTIES FOR LATE SUBMISSION

The Business School follows the University's policy for the late submission of assessed work:

https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_on_Late_Submission_of_Coursework_Final_Oct_2018.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%.

Reassessment

If you do not pass the course on your first attempt, or cannot take the exam for medical or personal reasons, you will have to take a re-sit examination. If taking the paper at your second or further attempt, your final assessment will be based entirely on your mark in the re-sit exam. A 40% mark is required in the re-sit examination to pass the class.

TEACHING AND LEARNING

You will have 5 hours of class contact in most weeks: two two-hour allocated lecture time slots, and either one further hour in a tutorial workshop or one further hour in computing labs. In 2021/2022 it is expected that all of lectures and computer lab content will be delivered online through a mix of pre-prepared and live video sessions for class lectures. Tutorial workshops are scheduled to be delivered in-person with an online option for those students unable to attend in-person.

Lectures are scheduled for 11am – 1pm Monday and Friday each week and are intended to direct your reading and to explain and illustrate the techniques used in collating and presenting information. Live lectures will not typically last for the full two hours and the allocated time slot for the session will be split between pre-prepared videos to watch in advance, the live session, and follow up videos, and the exact structure will vary with the topic and other scheduled commitments in that week. You should read ahead on the textbook and watched any pre-prepared videos in advance of the live lectures for that week so that you can obtain the maximum benefit. Lectures will focus on illustrating and discussing practical examples to illustrate theoretical concepts. Pre-prepared videos will outline key concepts and follow up videos will generally address specific troubleshooting concepts.

Tutorial workshops are designed to provide you with the opportunity for discussion and development of thinking about the subject in a small group setting. Workshops are held in weeks 3, 5, 7, 8, 9, 10, and 11. All tutorial work will be posted in advance to the class myplace site and students are required to prepare this material in advance of the tutorial. The class tutor's role is to facilitate students working through problem questions on the day and addressing any specific questions asked during these sessions. Please note that you will be provided with a large set of questions for practice each week and the tutor will not go through all of the tutorial material during the classes. Solutions to tutorials will be posted on myplace at the end of each week.

Computer labs are designed to enable students to develop skills in the use of spreadsheet software for financial analysis, modelling, and decision making. Labs are held in weeks 2 and 4. Your class test will take place during the class lecture time slot in week 8. The class lab tutors, Donald Campbell and Martin Kemmitt will have online office hours posted to myplace in the remaining weeks of the class.

Registration for both tutorial workshops and computer labs is done through the class myplace site. Students are required to sign up for one lab and one computer workshop.

Attendance and assessment requirements: Attendance at tutorials and labs is mandatory and will be monitored.

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

PRE-REQUISITES

Students are expected to have taken AG105 Introduction to Finance and Financial Statistics or AG151 Introduction to Finance and Accounting. Direct entry students and students transferring from other institutions should have taken an equivalent introductory finance module. Direct entry students are also welcome to attend first year finance courses run by the department; either AG105 or AG151.

REQUIRED READING

The required purchase reading textbook for this course is:

Corporate Finance, 4th European edition, Hillier, Ross, Westerfield, Jaffe and Jordan, McGraw Hill, 2020.

This book was used in AG105 and AG151 last year. All students will require a copy of this textbook, but please note that students who purchased the 3rd edition of this book for AG105 or AG151 are not required to purchase the updated edition. Chapter references for both editions are provided in the timetable below.

Additional readings:

Business Analysis and Valuation: Text and Cases: IFRS edition, 3rd edition, Palepu, Healy and Peek, Cengage Learning, 2013.

Corporate Financial Management, 6th edition, Arnold and Lewis, Pearson, 2019

Corporate Finance and Investment, 9th edition, Pike, Neale, Akbar and Linsley, Pearson, 2018.

The first textbook by Palepu are useful for the company valuation element of the course. The second and third books are UK written by UK academics and place a greater emphasis in the UK institutional environment.

LECTURE PROGRAMME

Week	Lecture time	Class topic	HRWJJ 4e	HRWJJ 2 and 3e	Lab	Tutorial
1	Mon 11-1	Class introduction and recognition of cash flows	Ch. 6-8	Ch. 6-8	No lab	No tutorial
	Fri 11-1	Capital budgeting	Ch. 6-8	Ch. 6-8		
2	Mon 11-1	No lecture (local holiday)			Financial formulae in excel	No tutorial
	Fri 11-1	Further issues in capital budgeting	Ch. 6-8	Ch. 6-8		
3	Mon 11-1	Company valuation	Ch. 3-5	Ch. 3-5	No lab	Capital budgeting
	Fri 11-1	Company valuation	Ch. 3-5	Ch. 3-5		
4	Mon 11-1	Cost of equity capital	Ch. 9-12	Ch. 9-12	Sensitivity analysis in excel	No tutorial
	Fri 11-1	Capital structure	Ch. 18-19	Ch. 15-17		
5	Mon 11-1	Capital structure	Ch. 18-19	Ch. 15-17	No lab	Company valuation
	Fri 11-1	Capital structure	Ch. 18-19	Ch. 15-17		
6	Mon 11-1	Deriving the cost of capital for an investment project	Ch. 18-19	Ch. 15-17	No lab	No tutorial
	Fri 11-1	Raising debt and equity capital	Ch. 13-16	Ch. 13, 14 and 19		
7	Mon 11-1	Raising debt and equity capital	Ch. 13-16	Ch. 13, 14 and 19	No lab	Capital structure
	Fri 11-1	Working capital management	Ch. 26-27	Ch. 26-27		
8	Mon 11-1	Working capital management	Ch. 26-27	Ch. 26-27	No lab	Raising equity
	Fri 11-1	Online class test	n.a.	n.a.		
9	Mon 11-1	Leasing	Ch. 17	Ch. 21	No lab	Working capital
	Fri 11-1	Leasing	Ch. 17	Ch. 21		
10	Mon 11-1	Payout policy	Ch. 21	Ch. 18	No lab	Leasing
	Fri 11-1	Payout policy	Ch. 21	Ch. 18		
11	Mon 11-1	Review and exam prep	n.a.	n.a.	No lab	Payout policy
	Fri 11-1	Review and exam prep	n.a.	n.a.		

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