

Unit Title: Corporate Finance	Unit Code: FM
Level: 6	Learning Hours: 210
Learning Outcomes and Indicative Content:	
Candidates will be able to:	
<ol style="list-style-type: none"> 1. Evaluate the role of the Corporate Finance Manager and its main links to business objectives <ol style="list-style-type: none"> 1.1 Explain the role of the finance manager 1.2 Describe the main business objectives and the links to the finance manager 2. Describe and evaluate the main sources of equity business finance <ol style="list-style-type: none"> 2.1 Outline the process for gaining a quotation on the Official List (OL) or the Alternative Investment Market (AIM) and explain the role of the different advisers in this process 2.2 Explain the differences between, and the advantages and disadvantages of, ordinary shares and preference shares and the different types of share available. Explain the differences between a rights issue and a scrip issue 2.3 Describe the equity finance that is available to the unquoted company 3. Analyse the main sources of debt finance <ol style="list-style-type: none"> 3.1 Identify, describe and explain the main sources of debt finance available to any size of business, E.g.: bank borrowing, overdrafts, term loans, trade credit, factoring, hire purchase, leasing and bills of exchange 3.2 Identify, describe and explain the main sources of debt finance available from the financial markets, principally bonds, syndicated loans, mezzanine debt and high yield bonds, medium term notes, commercial paper, project finance, sale and leaseback, and international sources of debt finance 4. Demonstrate the ability to evaluate investment decisions using a variety of appraisal techniques <ol style="list-style-type: none"> 4.1 Explain the principles, benefits and limitations of the following different methods of investment appraisal: payback, accounting rate of return, net present value (NPV), internal rate of return (IRR) 4.2 Evaluate the different types of investment appraisal method identified in 4.1 above to determine the most suitable method to use in any given set of circumstances 4.3 Explain and calculate the influence of risk in the investment appraisal process 	

5. Describe the main methods of valuing company shares and calculate the necessary share values from a given set of circumstances

- 5.1 Explain and calculate the share value of a business based on the following different methods: net asset value (NAV), price earnings ratio (PER), free cash flow basis, dividend valuation methods (DVMs)
- 5.2 Describe the qualities of a business that are likely to influence the share value such as reputation, knowledge, capabilities, attitude, market penetration, dynamism and leadership

6. Examine the factors that determine a company's dividend policy

- 6.1 Describe and explain the effect of dividends on shareholder wealth
- 6.2 Describe and explain the main principles set down originally by Miller and Modigliani (dividend irrelevance) and alternative dividend relevance views
- 6.3 Describe and calculate the dividend growth model
- 6.4 Describe and explain the main dividend policies that companies might adopt, principally constant dividends, increasing dividends, zero dividends, fixed percentage dividends
- 6.5 Explain the main alternatives for a business to cash dividends, notably scrip dividends, share repurchases, special dividends and non-financial benefits

7. Describe and calculate the cost of capital for a business

- 7.1 Describe and calculate the cost of equity share capital, both ordinary shares and preference shares
- 7.2 Describe and calculate the cost of debt capital
- 7.3 Describe and calculate the weighted average cost of capital (WACC)

8. Describe and explain the process behind a merger or a takeover and the similarities and differences

- 8.1 Explain the City Code on Takeovers and Mergers
- 8.2 Explain the main justifications, financial and otherwise, for mergers and takeovers and be able to calculate the value of a share using the methods identified in learning outcome 5.1

9. Explain and describe the different elements of treasury and working capital and be able to perform calculations from a given set of data to determine the effect on an element of or the entire working capital of a business

- 9.1 Explain the main areas of treasury and working capital
- 9.2 Establish the most appropriate balance of financing for a business
- 9.3 Describe, explain and calculate the working capital cycle and the cash conversion or operating cycle
- 9.4 Explain and describing overtrading
- 9.5 Calculate, from a given set of figures, a working capital decision on any of the areas of working capital

10. Describe and explain the different types of risk that a finance manager will be affected and influenced by

- 10.1 Describe and explain the different types of risk that will affect the finance manager such as business risk, insurable risk, currency risk and interest rate risk
- 10.2 Explain the significance of gearing, both operating and financial gearing
- 10.3 Describe the different costs associated with managing risk
- 10.4 Describe and explain the derivative instruments available to help manage risk, principally options, futures and forwards
- 10.5 Explain the significance and importance of managing the risk of exchange rate movements

Assessment Criteria:

- Assessment method: written examination
- Length of examination: three hours
- Candidates should answer four questions from a choice of eight, each question carrying equal marks

Recommended Reading

ABE, *ABE Study Manual – Corporate Finance*, ABE

Arnold G, *Corporate Financial Management* (2005), Pearson Higher Education
ISBN: 0273687263