

Course information 2023-24

FN1202 Introduction to finance

General information

COURSE LEVEL: 4

CREDIT: 30

NOTIONAL STUDY TIME: 300 hours

Summary

This course will provide a non-technical introduction and overview of the Finance discipline. The course is designed as a foundational course in finance on which subsequent, more specialised finance courses are based.

Conditions

None

Aims and Objectives

The aims of this course are:

- To introduce students to the fundamental principles underlying finance and financial decision-making by individuals and firms.
- To provide a broad understanding of financial theory, particularly in relation to the valuation of investments (both real and financial), and the main conclusions and implications derived therein.
- To explain the importance of finance, financial markets, and institutions to individuals, firms, and society in general.

Learning outcomes

By the end of this course, successful students will be able to:

- Explain different approaches to valuation, including the present value rule and absence of arbitrage.
- Apply appropriate techniques to value financial assets (bonds, stocks, and derivatives).
- Understand how risk affects the return of a risky asset, and hence how risk affects the value of the assets in equilibrium.
- Identify and explain the defining characteristics of a corporation versus other forms of business organisation and discuss the financial management implications of these differences.
- Understand, interpret, and synthesise information contained in key financial statements.
- List and explain the types of securities that firms can issue to finance themselves, and their constituent features.
- Understand how companies issue new shares, discuss the associated costs and benefits, and calculate the related price impact in a security offering.
- Understand, explain, and apply different capital structure theories.

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- Discuss the strengths and weaknesses of different capital budgeting techniques (eg, NPV and IRR) and apply these techniques to evaluate investments in real assets.
- Calculate and apply different costs of capital in valuation.

Essential reading

For full details, please refer to the reading list:

- Berk, J., DeMarzo, P. and J. Harford, *Fundamentals of Corporate Finance*. (Pearson, 2018) 4th Global Edition [ISBN: 9781292215075].
- Brealey, R.A., Myers, S.C. and A.J. Marcus, *Fundamentals of Corporate Finance*. (McGraw Hill, 2019) 10th Edition [ISBN: 9781260566093].
- Hillier, D., Clacher, I., Ross, S.A., Westerfield, R.W. and B.D. Jordan, *Fundamentals of Corporate Finance*. (McGraw Hill, 2017), 3rd edition [ISBN: 9780077178239].

Assessment

This course is assessed by a three-hour and fifteen-minute closed-book written examination.

Syllabus

This course is divided into two parts. The first part revolves around asset pricing theory and its application to the valuation of securities that are traded in financial markets (eg, stocks, bonds, and derivatives). The second part introduces corporate finance, which is concerned with how businesses make financial decisions.

Part 1: Asset Markets

Topics will include discounting and present value, risk and return, arbitrage, financial markets and securities, banks, mutual and hedge funds.

Part 2: Corporate Finance

Topics will include financial statement analysis, the cost of capital, capital structure, venture capital and private equity, initial public offerings, and the valuation of firms and projects.

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