

# Development of a course module syllabus

## **“FINANCE MODULE FOR NON- FINANCIAL STUDENTS”**

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Vilnius, 2018 06

# PURPOSE OF THE COURSE

- The purpose of the course is to fill students in on main corporate finance terms, concepts, principles and practices the business manager needs to know and
- make them be able to make the informed decisions.
- To make students aware and able to understand, correctly interpret and use in practice main corporate finance theories and principles.

# Purpose of the course and competences developed *(cont.)*

The students are expected to develop **Generic competencies** such as:

- critical and self-critical thinking and the ability to solve problems;
- the ability to plan the learning process,
- the ability to organise one's own work and be integral part of a team.

# Purpose of the course and competences developed *(cont.)*

- The students are expected to develop **Professional competencies** such as:
- The knowledge of the basic corporate finance principles
- and the ability to apply them when analysing the financial questions/problems
- The ability to make professional and rational investment budgeting and investment financing decisions based on application of theoretical knowledge and analytical skills to practice

# COURSE THEMES

1. *The Firm and the Financial Manager*
2. *The Time Value of Money*
3. *Accounting , Finance and Financial Statement Analysis*
4. *Working Capital Management and Short-Term Planning*
5. *Valuing Bonds*
6. *Valuing Stocks*
7. *Introduction to Risk, Return, and the Opportunity Cost of Capital*
8. *Risk, Return, and Capital Budgeting*

# 1. THE FIRM AND THE FINANCIAL MANAGER

This material is an introduction to corporate finance. Topic begins with a discussion of the corporation, the financial decisions it needs to make, and why they are important.

Corporations have to make the *investment decision*, that is, the decision to invest in and *financing decision*, the choice of how to pay for such investments.

Explanation on how businesses are organized and a brief introduction to the role of the financial manager

# Learning outcomes of 1 theme:

## ***THE FIRM AND THE FINANCIAL MANAGER***

*After studying this material the students should be able to:*

- Explain the advantages and disadvantages of the most common forms of business organization and determine which forms are most suitable to different types of businesses.
- Understand the major business functions and decisions that the firm's financial managers are responsible for.
- Explain the role of financial markets and institutions.
- Explain why it makes sense for corporations to maximize their market values.
- Show why conflicts of interest may arise in large organizations and discuss how corporations can provide incentives for everyone to work toward a common end.

## 2. THE TIME VALUE F MONEY

- Financial decisions require comparisons of cash payments at different dates.
- The material gives the understanding the relationship between the value of money today and in the future.
- Topic discusses on how funds invested at a specific interest rate will grow over time.
- How much you would need to invest today to produce a specified future sum of money.
- It also considers how inflation affects these financial calculations.

# Learning outcomes of 2 theme

## THE TIME VALUE OF MONEY

*After studying this material the students should be able to*

- Calculate the future value to which money invested at a given interest rate will grow.
- Calculate the present value of a future payment.
- Calculate present and future values of streams of cash payments.
- Find the interest rate implied by the present or future value.
- Understand the difference between real and nominal cash flows and between real and nominal interest rates.
- Compare interest rates quoted over different time intervals—for example, monthly versus annual rates.

# 3. ACCOUNTING , FINANCE AND FINANCIAL STATEMENT ANALYSIS

- The topic reviews briefly accounting practice main features.
- This material covers the introduction of the major financial statements, the balance sheet, the income statement, and the statement of cash flow.
- The important differences between income and cash flow and between book values and market values be presented

# Learning outcomes of 3 theme: **ACCOUNTING , FINANCE AND FINANCIAL STATEMENT ANALYSIS**

*After studying this material the students should be able to:*

- Interpret the information contained in the balance sheet, income statement, and statement of cash flows.
- Distinguish between market and book value.
- Explain why income differs from cash flow.
- Understand the essential features of the taxation of corporate and personal income.

# 4. WORKING CAPITAL MANAGEMENT AND SHORT-TERM PLANNING

- The topic will review the major classes of short-term assets and liabilities,
- show how long term financing decisions affect the firm's short-term financial planning problem, and
- describe how financial managers trace changes in cash and working capital.
- It describes how managers forecast month-by-month cash requirements or surpluses and
- how they develop short-term investment and financing strategies

# Learning outcomes of 4 theme: WORKING CAPITAL MANAGEMENT AND SHORT-TERM PLANNING

*After studying this material the students should be able to*

- Understand *why* the firm needs to invest in net working capital.
- Show how long-term financing policy affects short-term financing requirements.
- Trace a firm's sources and uses of cash and evaluate its need for short-term borrowing.
- Develop a short-term financing plan that meets the firm's need for cash.

# 5. VALUING BONDS

The firm can think of two ways to raise new money from investors:

1. borrow the cash or
2. sell additional shares of common stock.



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# 5. VALUING BONDS

- At first the issue of default risk is discussed
- Then we show how bond prices are determined by market interest rates
- and how those prices respond to changes in rates.
- The yield to maturity is considered
- and why a bond's yield may vary with its time to maturity is discussed.

# Learning outcomes of 5 theme: VALUING BONDS

*After studying this material the students should be able to*

- Distinguish among the bond's coupon rate, current yield, and yield to maturity.
- Calculate the market price of a bond given its yield to maturity,
- find a bond's yield given its price,
- and demonstrate why prices and yields vary inversely.
- Show why bonds exhibit interest rate risk.
- Understand why investors pay attention to bond ratings and demand a higher interest rate for bonds with low ratings.

## 6. Valuing Stocks

- We start by looking at how stocks are bought and sold. Then we look at what determines
- stock prices and how stock valuation formulas can be used to infer the rate of return
- that investors are expecting. We will see how the firm's investment opportunities
- are reflected in the stock price and why stock market analysts focus so much attention
- on the price-earnings, or P/E ratio of the company.

# Learning outcomes of 6 theme: ***VALUING STOCKS***

*After studying this material the students should be able to:*

- Understand the stock trading reports in the financial pages of the newspaper.
- Calculate the present value of a stock given forecasts of future dividends and future stock price.
- Use stock valuation formulas to infer the expected rate of return on a common stock.
- Interpret price-earnings ratios.

# 7. INTRODUCTION TO RISK, RETURN, AND THE OPPORTUNITY COST OF CAPITAL

- At the beginning the topic analysis the rates of return earned in the past from different investments, concentrating on the *extra* return that investors have received for investing in risky rather than safe securities.
- We then show how to measure the risk of a
- portfolio by calculating its standard deviation
- From history we find out how risky it is to invest in the stock market.
- Finally, the concept of diversification is discussed.

# Learning outcomes of 7 theme: INTRODUCTION TO RISK, RETURN, AND THE OPPORTUNITY COST OF CAPITAL

*After studying this material the students should be able to:*

- Estimate the opportunity cost of capital for an “average-risk” project.
- Calculate the standard deviation of returns for individual common stocks or for a stock portfolio.
- Understand why diversification reduces risk.
- Distinguish between unique risk, which can be diversified away, and market risk, which cannot.

# 8. RISK, RETURN, AND CAPITAL BUDGETING

- How can you measure the market risk of a security or a project? We will see that
- market risk is usually measured by the sensitivity of the investment's returns to fluctuations
- in the market. We will also see that the risk premium investors demand should be
- proportional to this sensitivity. This relationship between risk and return is a useful way
- to estimate the return that investors expect from investing in common stocks.
- Finally, we will distinguish between the risk of the company's securities and the risk
- of an individual project. We will also consider what managers should do when the risk
- of the project is different from that of the company's existing business

# Learning outcomes of 8 theme: RISK, RETURN, AND CAPITAL BUDGETING

*After studying this material the students should be able to*

- Measure and interpret the market risk, or beta, of a security.
- Relate the market risk of a security to the rate of return that investors demand.
- Calculate the opportunity cost of capital for a project.

# TEACHING METHODS

- In the study process, apart from lectures contemporary teaching methods are applied:
- discussion,
- problem-based talk,
- interactive teaching/learning methods, such as case study, situation modeling, learning by doing, viewing of video materials, brainstorming and reflection.

# TEACHING METHODS *(cont.)*

Moreover, research methods are applied, which include:

- search for information,
- data collection,
- processing, and modeling,
- studies of scientific literature, and
- preparation and delivery of a presentation.

# Course integration into a VLE *Moodle*

The course is integrated into a widely applied VLE *Moodle* through which students:

- receive the course handouts and necessary information,
- do homeworks, colloquiums and exams
- upload their presentations and cases solved
- evaluate presentations and cases of their classmates
- participate in interactive cooperation,
- get feedback.

# ASSESSMENT STRATEGY

Assessment strategy	Share in %	Time of assessment
Home works	30	During all semester
Colloquiums (3 tests, 10% each)	30	At scheduled date
Final exam	40	After completion of the course

Thank you



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