Module Leader

Dr O Cole

Lecturers

Dr O Cole and Prof A Jagolinzer

Timing and Structure

Michaelmas term. 16 lectures (including examples classes). Assessment: 100% coursework

Aims

The aims of the course are to:

• provide an introductory understanding of financial reporting and decision making by companies.

Objectives

As specific objectives, by the end of the course students should be able to:

• construct the company financial statements from a jumble of raw data.
• interpret these statements using financial ratios.
• understand how to identify and finance the investments companies should undertake.
• understand why and how companies compensate their investors.

Content

The first part of the module examines fundamental accounting concepts, and shows how to construct and interpret company accounts, a critical source of information to outside investors. The second part of the module tackles the three key areas of company decision making: the capital budgeting decisions of how the company should invest; the financing decisions of how the company should raise the investment capital; and the payout decisions of how the company should compensate its shareholder.

Financial Accounting

Detailed discussion of fundamental accounting concepts; construction of company financial statements (balance sheet, income statement, cash flow statement); interpretation of company financial statements (ratio analysis); an awareness of creative accounting

Finance

Nature and objectives of finance; time value of money and risk versus return; capital budgeting decisions (opportunity cost of capital, investment rules such as Net Present Value; financing decisions (debt versus equity); payout decisions (dividends and share repurchases).
Coursework

<table>
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<tr>
<th>Coursework</th>
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<tbody>
<tr>
<td>100% Coursework on Accounting and Finance</td>
<td>Individual Report anonymously marked</td>
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<tr>
<td>The Accounting section carries 50% of the mark and the Finance section the remaining 50%</td>
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Learning objective:

- After completing this coursework students should be able to construct a company's financial statements from a jumble of raw data.
- After completing this coursework students should be able to interpret a company’s financial statements using financial ratios.
- After completing this coursework students should be able to understand how to identify and finance the investments companies undertake.
- After completing this coursework students should be able to understand why and how companies compensate their investors.

Booklists

Please see the Booklist for Group E Courses [2] for references for this module.

Examination Guidelines

Please refer to Form & conduct of the examinations [3].

UK-SPEC

The UK Standard for Professional Engineering Competence (UK-SPEC) [4] describes the requirements that have to be met in order to become a Chartered Engineer, and gives examples of ways of doing this.

UK-SPEC is published by the Engineering Council on behalf of the UK engineering profession. The standard has been developed, and is regularly updated, by panels representing professional engineering institutions, employers and engineering educators. Of particular relevance here is the ‘Accreditation of Higher Education Programmes’ (AHEP) document [5] which sets out the standard for degree accreditation.

The Output Standards Matrices [6] indicate where each of the Output Criteria as specified in the AHEP 3rd edition document is addressed within the Engineering and Manufacturing Engineering Triposes.

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Links

[1] mailto:oc219@cam.ac.uk