

SYLLABUS

(Attached to the Circular No. 03/2017/TT-LDTBXH dated March 1st, 2017 of the Ministry of Labor, War invalids and Social Affairs)

Module title: FINANCIAL MANAGEMENT 2

Module code: MD22

Execution time: 60 hours (Theory: 30 hours; Practice, experiment, discussion, assignments: 25 hours; Assessment: 5 hours)

I. MODULE LOCATION AND PROPERTIES

- **Module location:** The 2nd Financial Management module is a compulsory module used in curriculum for the Bachelor of Business Administration in high quality teaching and learning programs in Vietnamese and English. The course is recommended for student who have basic background in 1st Financial Management.
- **Properties of module:** This module will equip with knowledge and skills in order to pursue a wide range of careers in the fields of finance. The main topics covered in this module are: analyze financial statement information; the time value of money; the cost of capital; equity and bond valuation; securities valuations for stocks, bonds; portfolio theory and the capital asset pricing model.

II. LEARNING OBJECTIVES

On completion of the module, students should be able to:

KNOWLEDGE:

- Read and interpret the various items or components of the financial statements reported by the companies;
- Explain the concepts of future value, present value and discount rates; the meaning of time value of money and how to evaluate the tradeoff between money today and money sometime in the future;
- Interpret models of bond and stock evaluation;
- Recognize methods of measuring risk and return, understand the relationships between them and their relevance for particular applications;
- Identify the various methods of measuring the cost of capital.

SKILLS:

- Compute and analyze different financial ratios;
- Apply valuation principles to calculate the future value and the present value of money;
- Calculate value of a bond and a share of stock using proper formulas;
- Measure risk and return for individual securities and portfolio of securities.
- Calculate the corporation's cost of capital; determine the cost of capital and apply the concepts of the weighted cost of capital (WACC).

CAPACITY AUTONOMY AND RESPONSIBILITY:

- Develop ability to plan, work and study independently; develop efficient self-study methods;
- Develop ability to work in a group environment through group assignment;
- Comply with ethical and professional standards.

III. MODULE CONTENT

1. General contents

No.	Content	Time Allocation			
		Total	Lectures	Practice, Assignment, Teamwork	Exam
1	Introduction and Module Overview	1	1		
2	Unit 1: Time value of money	12	6	5	1
3	Unit 2: Financial statement analysis	14	7	6	1
4	Unit 3: Valuation of bonds and stock	10	5	5	
5	Unit 4: Portfolio theory and the capital asset pricing model	10	6	4	
6	Unit 5: Cost of capital	11	5	5	1
7	Final exam	2			2
Total		60	30	25	5

2. Detailed contents:

The module is divided into five units. A brief outline of each unit is provided below.

INTRODUCTION AND MODULE OVERVIEW

Total time: 1 hours

Unit 1: TIME VALUE OF MONEY

Total time: 12 hours

1. Learning objectives

After completing this unit, students should be able to

- Explain the concepts of future value, present value and discount rates;
- Distinguish between simple and compound interest, an uneven cash flow stream and an annuity;
- Calculate the future value and present value of a lump sum for different compounding frequencies;
- Apply valuation principles to calculate the future value and the present value of a series of cash flows (an uneven cash flow stream, annuity);
- Use of present value concept in loans, capital expenditure and valuation of bond.

2. Content

1.1. Introduction to Time Value of Money (TVM)

1.1.1. The concept of TVM, future value, present value

1.1.2. Simple interest and compound interest

1.1.3. Discounting, annuity

1.2. Calculating the future value and the present value of money

1.2.1. Calculating the value of lump-sum amount

1.2.2. Calculating the value of a series of cash flows

1.3. Applications

3. **Practice:** practical exercises or problems, group exercise.

4. **Exam #1:** calculate the present value and future value of lump-sum amount, Cash Flow and applications

Unit 2: FINANCIAL STATEMENT ANALYSIS

Total time: 14 hours

1. Learning objectives

After completing this unit, students should be able to

- Access and use a published set of financial statements reported by the companies;
- Read, interpret and identify the various items or components of the balance sheet, income statement and define the accounting equation;
- Distinguish between the operating, financing, and investing activities of a company;
- Describe the categories of ratios, list and define the ratios in each category and compute and analyze different financial ratios.
- Describe and illustrate traditional DuPont disaggregation of ROE.

2. Content

- 2.1. Reading and understanding the Balance sheet
- 2.2. Reading and understanding the Income statement
- 2.3. Reading and understanding the Cash flow statement
- 2.4. Financial Ratio analysis
 - 2.4.1. Liquidity ratios
 - 2.4.2. Activity ratios
 - 2.4.3. Financial leverage ratios
 - 2.4.4. Profitability ratios
3. **Practice:** questions for review, individual exercise, group work with presentation.
4. **Exam #2:** Group research project

Unit 3: VALUATION OF BONDS AND STOCK

Total time: 10 hours

1. Learning objectives

After completing this unit, students should be able to

- Interpret the role of stocks and bonds in the financial markets;
- Calculate value of a bond and a share of stock using proper formulas.

2. Content

- 3.1. Valuation of Bonds
 - 3.1.1. For a perpetual bond
 - 3.1.2. For a zero-coupon bond
 - 3.1.3. For a bond with maturity
- 3.2. Valuation of Stock
 - 3.2.1. Preferred stock valuation
 - 3.2.2. Common stock valuation
4. **Practice:** questions for review, questions for discussion, practical application and problems, group exercise.

Unit 4: PORTFOLIO THEORY AND THE CAPITAL ASSET PRICING MODEL

Total time: 10 hours

1. Learning objectives

After studying this unit, you should be able to:

- Explain the relationship between risk and return;
- Describe of both systematic and unsystematic risk and the concept of risk diversification using portfolio investment;
- Recognize methods of measuring risk, understand the relationships between them and their relevance for particular applications;
- Interpret the concept of diversification and be able to employ it to design and manage a portfolio of risky securities;
- Calculate the required rate of return of a security using the capital asset pricing model.

2. Content

- 4.1. The relationship between risk and return
 - 4.2. The measurement of risk
 - 4.2.1. Calculating risk and return using probabilities
 - 4.2.2. Calculating risk and return using historical data
 - 4.3. The concept of diversification
 - 4.3.1. Diversifying unsystematic risk using a two-share portfolio
 - 4.3.2. Diversifying unsystematic risk using a three-share portfolio
 - 4.4. The capital asset pricing model
3. **Practice:** questions for review, questions for discussion, practical exercises, group exercise.

Unit 5: COST OF CAPITAL

Total time: 11 hours

1. Learning objectives

After studying this unit, you should be able to:

- Present the significance and meaning of cost of capital
- Identify the problems in determination of cost of capital
- Identify the various methods of measuring the cost of capital.
- Calculate the costs of equity and debt capital, the weighted average cost of capital.

2. Content

- 5.1. Introduction to cost of capital
 - 5.1.1. Definitions
 - 5.1.2. Significance of cost of capital
 - 5.1.3. Determination of cost of capital – Problems involved
 - 5.2. Calculating the cost of individual sources of finance
 - 5.2.1. Cost of Preference Share Capital
 - 5.2.2. Cost of Equity Capital
 - 5.2.3. Cost of Debt and Bank borrowings
 - 5.2.4. Cost of Retained Earnings
 - 5.2.5. The relationship between the costs of different sources of finance
 - 5.3. Calculating the weighted average cost of capital (WACC)
3. **Practice:** questions for review, questions for discussion, practical exercises, group exercise.
4. **Exam #3:** Calculating the costs of equity and debt capital, the weighted average cost of capital.

Final Examination:*Total time: 2 hours***IV. CONDITIONS FOR IMPLEMENTING OF THE MODULE**

1. Classroom: The theoretical classroom have a capacity of 40 students.
2. Teaching equipment: computers, projectors.
3. Study materials: tables, diagrams, graphs, assignments, Calculator with financial functions.
4. Other conditions: clean, cool, well-lit, ventilated study room.

V. CONTENTS AND ASSESSMENT METHODS**1. Assessment objectives:**

- Group project: Compute and analyze different financial ratios; develop as an independent and reflective learner; collaborating and working in groups finding & researching.
- Exam #1: Apply valuation principles to calculate the future value and the present value of a series of cash flows (an uneven cash flow stream, annuity).
- Exam #2: Calculate the costs of equity and debt capital, the weighted average cost of capital.
- Final exam: Identify the various items of the financial statements; Calculate on the future and present value of time; Valuate of bond and shares; Compute cost of capital, calculate risk and return for individual securities and portfolio of securities.

2. Assessment methods

- ❖ **Weighting of assessment objectives:** Your final grade is calculated based on:

Types of assessment	Weighting
1. Formative assessment, in which:	40%
- Class exercises (individual)	
- Exam #1, 3	
- Group project (equivalent for Exam #2)	
- Class participation	
2. Final exam	60%
Total	100%

❖ **Grading Details:**Class exercises

- Students must do all of the required readings and exercises before each class session and participate in class discussions about the readings, the issues, and exercises that are raised.

Group research project

- The project should be an analysis of a corporation. The report should include the following:
- Select a company (it should be approved by the Instructor).
- Introduction of the company (half page).
- Calculation of Financial Ratios (the Instructor will go over it in the class) of the company for two years (i.e. 2019, 2020).
- Financial Analysis of the corporation.
- Conclusion: A list of strengths & weaknesses relevant to the organization.
- The report should be typed and double-spaced. It should not exceed ten pages. The report should be submitted by the 6th week of class schedule.

Exam # 1, 3

- All exams are closed book, closed notes. All exams will use the practical exercises format. Calculators are allowed and recommended, but E-devices (mobile phone, laptops iPads, other texting devices, etc.) are not allowed. Students must take the exam in the lecture section.
- If you are not able to take the exams on the dates and times specified in the detailed schedule without prior permission, you will not to take re-examination.

Class participation

- Please arrive to class on time and prepared.
- Regular attendance and active and consistent participation in the class sessions with insightful questions and comments.
- Students are responsible for all assigned readings and lecture materials.

Final exam

- Form: Written exam
- Assessment: 10-point grading scale
- Length: 90 minutes
- Exam aid: closed book, but permitted resources: TVM tables 1, 2, 3, 4
- Content: The exam is composed of 3-4 practical exercises contained key points: identify the various items of the financial statements, calculating on the future and present value of time, valuation of bond and shares, calculating on cost of capital, risk and return calculations for individual securities and portfolio of securities.

VI. IMPLEMENTATION GUIDANCE FOR THE MODULE

1. **Scope of application:** The module is used in Curriculum for the Bachelor of Business Administration in high quality teaching and learning programs in Vietnamese and English. The total duration of the module is 60 hours.
2. **Learning activities and teachings methods**

- For lecturers:
 - + Organise learning and teaching with clarity, efficiency, and fairness.
 - + The course teaching methodologies will be composed of lectures, practical exercises, interactive instruction, homework assignments and a group project.
 - + Lecturers assist students in understanding difficult concepts, answer questions on materials, answer to selected problems, mark homework and class assignments and exams, but class sessions are only effective if students regularly attend class and actively engage in the process or thinking critically about the course content.
 - + Knowledge will be acquired and then applied so that students learn to appreciate that theory delivered and taught in the classroom setting can be applied in the realistic setting. Practical examples will be emphasised and students' own experience will be drawn upon where appropriate.
- For students:
 - + Review all the learning objectives thoroughly.
 - + Seeking assistance or "hints" from the instructor.
 - + Review and complete the revision and self-assessment questions for each lesson.
 - + Classroom attendance requirement is provided in the existing participation policy (>70% in the module total hours)
 - + The coursework element of each unit will be completed by the student either singly or as part of group. Coursework helps to develop a much deeper understanding of the subject.
 - + Applying theories to practical situations and exercises, give an opinion and collaborate with other students for answers.
 - + Groups can be randomly selected to present their results of the assigned situation analysis in the presentation.
 - + Students must take all exams, and should participate in the classroom discussion actively.
 - + Your progress and learning outcomes is measured by lecturer-marked assignments and examinations. Assignments and examinations will demonstrate the level of your understanding of financial management principles and relevant theories and your application skill to problem-solving situations.
- 3. **Key points:** Reading and understanding the financial statements, financial ratio analysis, the future and present value of time, valuation of bond and shares, calculating on cost of capital, risk and return calculations for individual securities and portfolio of securities.
- 4. **Reading materials/ References**
 - 4.1. Main Textbook(s)
 - ❶ Denzil Watson and Antony Head, (2007). Corporate Finance - Principles & Practice. 4th edition published. Harlow: FT Prentice Hall.
 - ❷ Ho Thi Phuong Quynh, (2020-21). Corporate Financial Management. Lecture Notes.
 - ❸ Bui Minh Tiet, (2020). Business Finance in Vietnamese. Lecture material.
 - 4.2. Supplementary book(s):

④ Stephen A. Ross, Randolph W. Westerfield and Jeffrey Jaffe (RWJ), (2013). Corporate Finance. 10th edition. McGraw-Hill.

⑤ C. Paramasivan and T. Subramanian, (2007). Financial Management. New Age International (P) Limited, Publisher.

⑥ Tran Ngoc Tho, (2007). Modern Financial Management in Vietnamese. Thong Ke Publisher.

4.3. Other resources (if any)

⑦ Important and informative papers and articles recommended for further reading include: Journal of Accounting Research, Journal of Finance, Journal of Financial Economics

⑧ Websites: <https://www.hsx.vn/>, <https://vietstock.vn/>, <https://cafef.vn/>, <https://fulbright.edu.vn/>

5. Notes: No

HEAD OF DEPARTMENT

LECTURER

Ho Thi Phuong Quynh