**LECTURE 1 – Introduction to** Business Finance

**Module Title:** Business Finance

**Module Description:**

This module considers cost information (both current and future) aligned to financial management and business performance.

The management of business finance can be crucial to the success or failure of the business.

Mismanagement of business finances can be detrimental to the business and can also impact on the impression customers have of that business. This module considers financial management within a business context and explores the interpretation of financial information to assess the performance of a business. Concepts covered within this module complete the development of financial information within Entrepreneurship.

**Module Aim:**

This module aims to help students understand a variety of financial strategies that are used by businesses. They will learn about budgeting, financial management and accounting and its importance in the monitoring and management of financial performance. Students will be provided with the opportunity to use cost data to produce financial records that can be analysed, to assess and evaluate the performance of a business. Students will explore different costing and budgetary systems and will discuss the causes of resulting variances and their impact on financial management. Students will be able to translate and measure business performance through the presentation of financial information for a range of businesses.

**Module Learning Outcomes:**

1. **LO1:**Examine cost information within a business
2. **LO2:**Critically analyse methods to reduce costs and enhance value within a business
3. **LO3:**Prepare forecasts and budgets for a business
4. **LO4:**Evaluate performance against budgets within a business

**Module Skills:**

* Interpret contrasting information.
* Apply theory to organisational practice.
* Contribute effectively and ethically in providing advice or making judgements that would inform or benefit management practice.
* Ability to apply and analyse financial data.

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| **Assessment Methods**  Formative assessment will include the application of business theory against a number of financial scenarios through engagement in class-based activities.  Summative assessment will involve students in the analysis of a case study and a time constrained assignment to assess and evaluate the performance of a business. | | | |
| Assessment type | Specific requirements  (e.g. word count) | Learning outcomes being assessed | Weighting % of final mark |
| **Case Study** | **Time constrained assessment – 2 weeks (4000 words equivalent)** | **LOs 1, 2, 3, 4** | **100%** |

**Indicative Content**

Students will learn about financial management in relation to organisational strategy and they will have the opportunity to assess key elements of financial planning and review. They will access financial data and use this to create and analyse financial information They will research and examine business performance in a commercial context.

**Reading Lists** page111image2187712

Atrill, P. and McLaney, E., 2018. Accounting and finance for non-specialists. Harlow: Pearson Education Limited

Cinnamon, B. and Hellweg-Larsen, B., 2010 *How to Understand Business Finance (Creating Success)*. 2nd ed. London: Kogan Page.

Davies, D., 2005. *Managing Financial Information* 2nd Ed. London: Chartered Institute of Personnel and Development

Dyson, J.R., 2017. *Accounting for non-accounting students* 8th Ed. London: Financial Times/Prentice Hall.

**E Learning Resources**

http://www.managers.org.uk  
Money Week. http://moneyweek.com/  
Money Facts http://moneyfacts.co.uk/  
Bloomberg http://www.bloomberg.com/news/world Reuters http://uk.reuters.com/business  
MSN Money http://www.msn.com/en-gb/money

**Journal**

The Journal of Finance  
Journal of Business Finance and Accounting

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| **Essential Reading** | **Background Reading** |
| Atrill, P. and McLaney, E., 2018. *Accounting and finance for non-specialists*. Harlow: Pearson Education Limited.  Dyson, J.R., 2017. *Accounting for non-accounting students* 8th Ed. London: Financial Times/Prentice Hall. | Cinnamon, B. and Helweg-Larsen, B., 2010 *How to Understand Business Finance (Creating Success)*. 2nd ed. London: Kogan Page.  Davies, D., 2005. *Managing Financial Information* 2nd Ed. London: Chartered Institute of Personnel and Development. |

**BUSINESS FINANCE**

**LECTURE SEQUENCE**

1. Overview of Business Finance

2. Financial accounting/reporting and management accounting.

3. Introduction to Management Accounting

* Cost classification; cost behaviour; product/service costing

4. Decisions making scenarios

5. Budgeting, Budgetary control and cash budgets.

6. Standard costing and variance analysis

7. Cost management/reduction.

**Revision & conclusion**

*All students must keep up with the weekly work in order to*

*progress well and benefit from the lectures.* ***This is a practical***

***module and requires application on your part****. Students may*

*contact me on:* [*sa.palan@lsclondon*](mailto:sa.palan@lsclondon)*.co.uk with your questions*

*and I will do my best to respond asap or within a day. Be*

*consistent with your work and success will follow. Thank YOU.*

**An introduction to Financial reporting & Corporate Financial Statements**

**1. Influences upon financial accounting/reporting/financial statements:**

These can be grouped into the following:

* National law – the form and content of accounts may be regulated by national legislation. ‘Fair presentation’
* Accounting standards – The International Accounting Standards Board (IASB) produces accounting standards. These helps tackle issues/interpretation of standards.
* Accounting concepts and individual judgement – Accounting policies have developed over the centuries. These are based on generally accepted concepts: business entity concept, going concern, accruals, prudence, consistency, materiality, substance over form and more.
* GAAP – Drawn from local company law, accounting standards, statutory requirements in other countries and the stock exchanges (e.g. LSE)

**2. The main financial statements are:**

* **Income Statement**
* **Statement of Financial Position (SOFP)**
* **Cash flow statement**

Be aware of old and new terminology used in various published materials in financial accounting - texts, articles etc

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| --- | --- |
| **Old terminology** | **New terminology** |
| Profit statement | Income statement |
| Balance sheet | Statement of financial position (SOFP) |
| Stock | Inventory |
| Debtors | Receivables |
| Creditors | Payables |
| Fixed assets | Non-current assets |
| Long term liabilities | Non-current liabilities |

**3. Some accounting terminology used in financial accounting**

* **Asset:** Something valuable which an entity **owns** or has use of e.g. a factory, motor vehicles, inventory for resale, receivables (amounts owed by customers), bank and cash balances.
* **Liability:** What the entity **owes** somebody else (other than the owner/owners) e.g. bank loan; payables (amounts owed to the suppliers);
* **Capital:** What the entity **owes** (cash/assets) the sole trader/owners. (for companies the owners are the shareholders)

**5.** All assets and liabilities can be classified into non-current or current

* **Non- current assets** are owned and used by the entity for more than one year (i.e. they are fixed financially for more than one year). Examples: Land, buildings, factories, plant and machinery, motor vehicles, fixtures & fittings
* **Current assets** are owned by the entity and change financially within a period of one year. Examples: inventory, trade receivables, prepayments, bank and cash balances.
* **Non-current liabilities** are what the business owes and require settlement beyond a year (owed for more than one year). Examples: long term bank loan, debentures or bonds (in the case of companies).
* **Current liabilities** are what the business owes and require settlement within a year. Examples: trade payables, short term bank loans, bank overdraft, accruals, taxation (for companies).