



BUSINESS AND THE FINANCIAL ENVIRONMENT

INSTITUTE FOR PROFESSIONAL AND EXECUTIVE DEVELOPMENT

United Kingdom

UNIT SPECIFICATION

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Unit Title

Business and The Financial Environment

Credit value

The credit value for this unit is 30

30 credits equivalent to 300 hours of teaching and learning
(10 hours is equivalent to 1 credit)

Guided learning hours (GLH) = 50 hours

GLH includes lectures, tutorials and supervised study. This may vary to suit the needs and requirements of the learner and/or the approved centre of study.

Directed learning = 50 hours: This includes advance reading and preparation, group study, and undertaking research tasks.

Self-managed learning = 200 hours: This includes completing assignments and working through the core and additional reading texts. It also includes personal research reading via other physical and/or electronic resources.

Learning outcome Learner will:	Assessment criteria Learner can:
1.0 Understand the roles of financial intermediaries in the financial system of a country	1.1 Examine the importance of financial intermediaries 1.1.1 Describe the characteristics of the various financial intermediaries such as banks, financial brokers, insurance companies, pension funds, mutual investment funds etc. 1.2 Differentiate between depository and non-depository financial institutions (depository institutions take deposits from clients and use them for other activities such as lending; non-depository institutions do not accept deposits but fund their investment activities from sale of securities or insurance) 1.2.1 Explore the roles played by both depository and non-depository financial institutions in the financial system 1.2.2 Identify types of depository institutions (such as commercial banks, savings and loans associations, credit unions) 1.2.3 Identify types of non-depository institutions: <ul style="list-style-type: none"> • Contractual savings institutions (life insurance, pension funds) • Collective investment institutions (mutual funds, unit trusts) • Finance companies • Leasing companies • Securities market institutions (investment bankers and brokerage companies, organized securities markets, government related agencies)
2.0 Understand the nature and significance of financial markets	2.1 Explain what is meant by a financial market 2.2 Explore the functions of financial markets (such as price setting, asset valuation, arbitrage, raising capital, commercial transactions, investing, risk management)

<p>3.0 Understand the nature and importance of foreign exchange markets</p>	<p>2.3 Examine the main factors that have contributed to the increase in financial marketing activity (e.g. the effect of lower inflation, pensions, the performance of stock and bond markets, risk management: the generation of financial products such as derivatives and asset backed securities with the basic purpose of risk distribution)</p> <p>2.4 Examine the role played by investors in financial markets</p> <p>2.4.1 Differentiate between yield and capital gains with respect to the return investors require on their investment</p> <p>2.4.2 Describe the 2 categories of investors; individuals and institutional</p> <p>2.4.3 Describe the characteristics and functions institutional investors (such as mutual funds and unit trusts, hedge funds, insurance companies, pension funds)</p> <p>2.5 Evaluate the effect of technology, deregulation, liberalization, consolidation and globalization on the development of financial markets</p> <p>3.1 Explain what is meant by a foreign exchange market</p> <p>3.2 Explore the functions of the different markets (spot market, futures market, options market, derivative market) that make up the foreign exchange market</p> <p>3.3 Examine the participants in foreign exchange markets (investors, exporters and importers, speculators, governments)</p> <p>3.4 Examine how the trade-weighted exchange rate is used to evaluate the performance of a particular currency overtime</p>
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<p>4.0 Understand the nature and significance of money markets</p>	<p>4.1 Explain what is meant by a money market</p> <p>4.2 Discuss the importance of money markets</p> <p>4.2.1 Differentiate between money markets and capital markets</p> <p>4.3 Evaluate the use of money-market funds in the financial market</p> <p>4.4 Analyse the types of money market instruments (such as commercial paper, banker's acceptances, treasury bills, government agency notes, local government notes, interbank notes, international agency paper, repos)</p> <p>4.5 Describe how trading occurs on money markets</p> <p>4.6 Evaluate the role played by money markets in the execution of central bank's monetary policy</p>
<p>5.0 Understand the nature and importance of bond markets</p>	<p>5.1 Discuss the characteristics of bonds</p> <p>5.2 Evaluate the benefits of issuing bonds (e.g. minimizing financial costs, matching revenue and expenses, promoting inter-generational equity, controlling risk, avoiding short term financial constraints)</p> <p>5.3 Examine the basic types of entities that issue bonds (e.g. national governments, lower levels of government, corporations)</p> <p>5.4 Explore how bonds are issued</p> <p>5.4.1 Examine the roles played by underwriters in the issuance of bonds</p> <p>5.4.2 Examine the use of swaps</p> <p>5.4.3 Evaluate the use of technology in the issue of bonds</p> <p>5.4.4 Discuss how interest rate is determined during the issue of bonds</p> <p>5.5 Examine the characteristics of the different types of bonds (such as straight bonds, callable bonds, non-refundable bonds, puttable bonds, perpetual debentures/bonds, zero coupon bonds, STRIPS,</p>

<p>6.0 Understand the nature and significance of equity markets</p>	<p>convertible bonds, adjustable bonds, structured securities) 5.6 Discuss how risks are rated prior to the issuance of bonds 5.7 Give an account on the properties of bonds (such as maturity, coupon, current yield, yield to maturity, duration) 5.8 Describe how the price of a bond can be interpreted 5.9 Describe the steps a bond issuer may take to reduce the risk bondholders must bear in order to sell its bonds at lower interest rate (such as by using covenants, by using bond insurance, by using sinking funds)</p> <p>6.1 Explain the meaning of equity and equity financing 6.2 Examine the nature of equity markets and their functions 6.3 Describe the various types of equity (common stock or ordinary shares, preferred stock, convertibles preferred stock, warrants) 6.4 Describe how a new issue of shares may be placed before the public 6.5 Analyse the factors affecting share prices including; earnings, cash flow, dividends, asset value, recommendations from analysts, inclusions in an index, bond returns and general economic news</p>
<p>7.0 Understand the nature and importance of futures and options markets</p>	<p>7.1 Describe the characteristics of futures and options contracts 7.2 Examine the fundamental reasons for trading in futures and options (i.e. hedging, speculation) 7.3 Describe how futures are traded 7.4 Examine the basic categories of futures (i.e. commodity futures, financial futures) 7.4.1 Explore the commodity futures market such as; agricultural</p>

	<p>futures, metal futures, energy futures</p> <p>7.4.2 Explore the financial futures markets such as; interest rate futures, currency futures, stock-index futures and share price futures</p> <p>7.5 Analyse the specifications of a futures contract (i.e. contract size, quality, delivery date, price limits, position limits and settlement dates)</p> <p>7.6 Explore the main methods of trading futures contracts (continuous-auction or open-outcry trading, electronic trading, single-price auction trading)</p> <p>7.7 Describe the different types of options (equity options, index options, interest rate options, commodity options, currency options, Long term equity participation securities-<i>LEAPS</i>, flex options)</p> <p>7.8 Analyse the reasons for options trading (e.g. risk management, hedging, leveraged speculation, arbitrage, income)</p> <p>7.9 Examine how options are traded</p> <p>7.10 Explore the main variables an options trader will use to evaluate prices (such as intrinsic value, time value, volatility, delta, gamma, rho, vega)</p>
<p>8.0 Understand the nature and importance of derivative markets</p>	<p>8.1 Examine the nature and importance of derivatives</p> <p>8.1.2 Describe types of derivatives and examine their functions (e.g. forwards, interest rate swaps, currency swaps, interest rate options, commodity derivatives, equity derivatives, credit derivatives)</p>
<p>9.0 Understand business and the economic structure</p>	<p>9.1 Analyse the business model</p> <p>9.1.1 Examine the business model inner circle (i.e. analysis, evaluation and strategy)</p>

	<p>9.1.2 Examine the business model outer circle (i.e. identity, purpose, structure, participants, enablers, activities, deliverables, influences, culture and performance)</p> <p>9.2 Explain what is meant by planned economy, free market economy and mixed economy</p> <p>9.3 Discuss the factors that influence the location of an industry (such as accessibility to raw materials, availability of suitable power supplies, skilled labour, proximity to markets, customers, transport advantages, economic stability etc.)</p> <p>9.4 Discuss government measures that influence the location of an industry including the use of enterprise zones, assisted areas, urban aid, office development permits, free ports etc.</p>
<p>10.0 Understand how a business may be financed</p>	<p>10.1 Explain the function of finance</p> <p>10.2 Examine the factors that affect the choice of finance</p> <p>10.3 Analyse how a business can be externally and internally financed</p> <p>10.3.1 Evaluate the advantages and disadvantages of both internal and external sources of finance</p> <p>10.4 Explore the factors that must be considered when planning the choice of finance such as cost of finance, control, risk, repayment dates etc.</p>
<p>11.0 Understand the micro and macro environmental factors that affect business operations</p>	<p>11.1 Explain the meaning of micro environment</p> <p>11.2 Evaluate the impact of stakeholders (employees, suppliers, customers, competitors, opinion formers, trade unions, local community) on business operations</p> <p>11.3 Evaluate the key relationships that exist between suppliers and</p>

	<p>their customers with respect to reliability of delivery, pricing, product development and marketing support</p> <p>11.4 Explain the meaning of macro environment</p> <p>11.5 Analyse the macro environmental factors that affect business operations such political, economic, societal, technological and environmental factors.</p> <p>11.6 Explore the business or economic cycles including recovery, boom, steady growth, recession, stagnation and depression/slump</p>
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Recommended learning resources

Indicative reading	<p>Marc Levinson 2010; Guide to Financial Markets: Profile Books London ISBN: 9781846681738</p> <ul style="list-style-type: none">• For a full list of textbooks and publications relevant to this unit, please log into the Learning Resource Area (on the IPED-UK website).• If you are a registered learner or organization, your user name and password would have already been provided to you by IPED.
Learning Aid	<ul style="list-style-type: none">• A comprehensive IPED study material is available to aid in learning and research of this unit.• We supply IPED course materials free of charge. Our study materials, which offer quick learning start, are comprehensive, use simple English, and are easy to read and understand. The contents are so sufficient and self-explanatory; that in majority of cases readers do not require further support; although support is always available when you need it.