

# Module Study Guide

Academic Year 2020–2021

Fundamentals of Business

Level: 3

Credits: 10 ECTS; 20 UK credits

Academic Partner:

Marbella International University Centre  
(MIUC)

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## Key team contact details

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The External Examiner responsible for this module is to be confirmed for International Business and International Relations courses and Dr. Ana Gaio (Programme Director MA Culture, Policy and Management, City University of London) for Marketing and Advertising course.

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# 1 Module overview

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## 1.1 Introduction

Welcome to the module Fundamentals of Business!

The module provides an overview and understanding on the current issues and challenges facing today's businesses, including small domestic firms and large multinational firms, as well as start-up and matured firms.

In this module, you will be required to undertake several assignments which will be posted on learning platform. These tasks will develop your analytical skills and build on your self-study. As this module combines analytical tools with practical applications, you will find yourself gaining the skills needed for your further study and future career.

## 1.2 Module summary content and aims

The primary objective is to enable you to improve the understanding the basic mechanism of business operations, including manufacturing, marketing and financing in a competitive and dynamic market. You will learn basic leadership skills in terms of corporate governance which provide a good foundation for their following studies in international business management.

Upon completion of this module you will recognise the fundamentals of current business operations, understand basic financial information and the changing roles of the manager in today's workplace, and how these all affect a firm's value creation.

The module will be taught through weekly lectures and seminars. In the lecture, the main concepts and ideas will be explained by the module leader, and the seminars will provide the space to discuss the compulsory readings and cover examples from the case studies. It is essential that you engage fully with your self-study week as the taught sessions will rely on the readings you will have completed previously. The module will have its own Blackboard page on which you will access readings, sources and new pieces of information relevant to the case.

## 1.3 Learning outcomes to be assessed

**LO1.** Define the most basic business concepts and describe the most common corporate organisational structures.

**LO2.** Identify the advantages and disadvantages of various financing sources taking into account a firm's life cycle.

**LO3.** Recognise the agency problem in businesses and select an appropriate solution to it in a well-defined scenario.

**LO4.** Extract information from a business' financial statements.

## 1.4 Indicative Contact Hours

Teaching Contact Hours	56 hours
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Independent Study Hours	144 hours (for modules with 20 UK credits) 44 hours (for modules with 10 UK credits)
Total Learning Hours	200 hours (for modules with 20 UK credits) 100 hours (for modules with 10 UK credits)

## 1.5 Summative assessment grid

Type of Assessment	Word Count or equivalent	Threshold (if Professional Body-PSRB applies)	Weighting	Pass Mark	Indicative Submission week	Method of Submission & Date of Feedback (refer to NEOIms)
A1: Written Examination (In-class exercise 1)	n/a	n/a	10%	40	Week 4 (Date and Time TBC)	Via NEOIms & 5 working days after in-class exercises
A2: Written Examination (In-class exercise 2)	n/a	n/a	10%	40	Week 7 (Date and Time TBC)	Via NEOIms & 5 working days after in-class exercises
A3: Written Examination (In-class exercise 3)	n/a	n/a	10%	40	Week 10 (Date and Time TBC)	Via NEOIms & 5 working days after in-class exercises
A4: Written Examination (In-class exercise 4)	n/a	n/a	10%	40	Week 13 (Date and Time TBC)	Via NEOIms & 5 working days after in-class exercises
A4: Written Assignment Case Study	1500 words (+/-10%)	n/a	60%	40	Week 15 (Date and Time TBC)	Via NEOIms & 10 working days after the assessment

## 1.6 Assessment brief including criteria mapped to learning outcomes

### 1.6.1 Assessment 1: In-class Exercise (1)

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This assessment aims to assess your understanding of various business structures and the advantages and disadvantages of each structure. There will be three short answer questions.

#### Assessment criteria

**Assessment criteria for Assessment 1** (LO1 will be assessed)

These assessments will be marked according to the following criteria:

- **Knowledge and Understanding (100%):** Students need to define the most basic business concepts and describe the most common corporate organisational structures and their respective advantages and disadvantages.

### 1.6.2 Assessment 2: In-class Exercise (2)

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This assessment will assess your understanding of a start-up company's challenges and choices in financing. There will be two short answer questions.

#### Assessment criteria

**Assessment criteria for Assessment 2** (LO2 will be assessed)

These assessments will be marked according to the following criteria:

- **Cognitive Skills (100%):** Students will need to identify the advantages and disadvantages of various financing sources taking into account a firm's life cycle.

### 1.6.3 Assessment 3: In-class Exercise (3)

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This assessment will assess your skills in comparing various financing sources and selecting the optimal one in a given scenario with the existence of agency problems. There will be 5 True/False questions.

#### Assessment criteria

**Assessment criteria for Assessment 3** (LO3 will be assessed)

These assessments will be marked according to the following criteria:

- **Practical/Professional Skills (100%):** Students need to recognise the agency problem in businesses and select an appropriate solution to it in a well-defined scenario.

### 1.6.4 Assessment 4: In-class Exercise (4)

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This assessment will assess your transferable and professional skills in extracting financial information before and after a firm's M&A decision and compare the performances of the firm. There will be two short answer questions.

**Assessment criteria for Assessment 4** (LO4 will be assessed)

These assessments will be marked according to the following criteria:

- **Transferable Skills (100%):** Students need to extract information from a business' financial statements for conducting simple comparative statics and identify the motivation of business decision-making.

### **1.6.5 Assessment 5: Case Study**

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At the end of the module, you will deliver a written business case analysis individually. This will encourage you to engage in real life examples and familiarise the tools and solution to business challenges nowadays, rather than only pursuing a purely theoretical understanding of business.

#### **Assessment criteria 5: Case study (LO1, LO2, LO3 and LO4 will be assessed)**

These assessments will be marked according to the following criteria:

- ❖ **Knowledge and Understanding (20%):** Students need to summarise the characteristics of the company and identify its distinct features among other competitors.
- ❖ **Cognitive Skills (35%):** Students will need to explain why the company makes such strategies, including minimum viable product development, pricing strategy, outsourcing strategy
- ❖ **Practical/Professional Skills (35%):** Students need to identify the challenges and opportunities the company faces
- ❖ **Transferable Skills (10%):** Students need to communicate in a clear manner given the word count requirement and use Harvard Referencing system.

More detailed instructions to all assessments will be provided in the assessment guideline which will be available on NEOlms.

For guidance on online submission of assignments, including how to submit and how to access online feedback, please refer to the MIUC NEOlms student guideline.

## **1.7 Learning materials**

The reading list for this module is available on NEOlms in the module area

### **1.7.1 Core textbook(s):**

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- Baranoff, E. Z., Brockett, P. and Kahane, Y. (2014). *Risk management for enterprises and individuals*. Irvington, New York: Flat World Knowledge.
- Gaughan, P. A (2017). *Mergers, Acquisitions, and Corporate Restructurings*. Wiley
- Horne, J. V. and Wachowicz, J. M. (2009). *Fundamentals of Financial Management*. Pearson.
- Skripak, S. J. and Poff, R (2020). *Fundamentals of Business*, 3rd Edition, Blacksburg, VA: VT Publishing. <http://hdl.handle.net/10919/99283>
- Spullber, D. F. (2009). *The Theory of Firm: Microeconomics with Endogenous Entrepreneurs, Firms, Markets, and Organizations*. Cambridge University Press

## 1.7.2 IT, audio-visual or learning technology resources

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n/a

## 1.7.3 Other recommended reading:

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- Čalopa, M., Horvat, J. and Lalić, M. (2014) Analysis of Financing Sources for Start-up Companies. *Management : Journal of Contemporary Management Issues*, 19(2). pp. 19-44
- Hofstrand, D. (2013) Types and Sources of Financing for Start-up Businesses. Available at: <https://www.extension.iastate.edu/agdm/wholefarm/html/c5-92.html> (Accessed: October 25, 2018).
- Cherif, M. and Elouaer, S. (2008). "Venture Capital Financing: A Theoretical Model". *The Journal of Applied Business and Economics*, 8(1), 56-81. pp. 56-81.
- Blank (2013), Why the Lean Start-Up Changes Everything? Harvard Business Review. Available at: <https://hbr.org/2013/05/why-the-lean-start-up-changes-everything> (Accessed: October 25, 2018)
- Ladd (2016). The Limits of the Lean Startup Method. Harvard Business Review. Available at: <https://hbr.org/2016/03/the-limits-of-the-lean-startup-method> (Accessed: October 25, 2018)
- Madura, J. and Fox, R. (2014) *International Financial Management*. 3rd Edition. Cengage Learning EMEA
- Prezas, A. P. and Simonyan, K. (2015) Corporate Divestitures: Spin-Offs vs. Sell-Offs. *Journal of Corporate Finance*, Vol. 34. pp. 83-107

**Remember to log into MIUC NEOlms daily to receive all the latest news and support available at your module sites.**



## 2 Things you need to know

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### 2.1 Engagement

During the academic year 2020-21, the health, welfare and safety of all our students and staff is our top priority as Spain continues to deal with the ongoing implications of the COVID-19 outbreak.

Face to-face-teaching, access to MIUC facilities and being part of our unique University community are key parts of the excellent student experience at MIUC. We have been working to create a safe and efficient plan that will allow us to deliver these elements when you start with us in the fall semester, subject to government regulation.

MIUC will be ready to teach in September and we are committed to engaging with you as closely as we can, and to ensuring that you have a rich educational experience that is safe and protected to ensure that you continue to get the most from the University life and the city of Marbella.

Whether you are engaging with teaching and learning activities on site or via the MIUC Virtual Learning Environment, we expect the same level of commitment and engagement from you. If you are unable to attend scheduled on site or online activities or complete activities in the timeframes set out, you should let your module leaders know. You should aim to stick to assessment deadlines; if you are concerned that you will not be able to complete your assessments on time, you should talk to your module leaders. Your engagement, whether online or on site, will be tracked and if we see that you are not engaging, we will get in contact with you. However, we encourage you to let us know if you are struggling so we can work with you to find solutions and get you back on track as soon as possible. Give yourself the best possible chance to succeed by engaging with the full range of learning and teaching activities available to you.

### 2.2 Need help, just ask

The University recognises that there are times when you may encounter difficulties during your course of study and provisions are made to help you. If you are struggling with meeting deadlines please talk to us, whether it's your course/module leader, personal tutor or any member of staff, speak to them so they can get you the support you need to succeed. You can extend your deadline if you have a good reason why you are not able to submit a piece of coursework on time, [apply online for an extension](#) before your deadline. An extension will allow you an extra 10 working days. If an extension is not sufficient and circumstances beyond your control are preventing you from completing your assessment, then you can, [apply online for mitigation](#).

Please remember late submission without extension or mitigation will result in penalties depending on how late it is, see [Academic Regulations](#).

You are reminded that MIUC applies penalties to students who commit an academic offence, in which case the Academic Offences Regulations will be used to deal with any cases of academic misconduct including examination offences, plagiarism and other means of cheating to obtain an advantage.

You are encouraged to seek advice from the Students' Union and counselling service which support you with all aspects of your academic experience by providing advice and guidance to ensure you are fully informed of the academic regulations as well as advocate for student views.

You are expected to behave in line with University expectations, irrespective of whether your interactions with staff and other students are in person or online. As you will be engaging with others online and a range of online materials, it is important to consider how to stay safe online and ensure

your communications are secure and appropriate. If you have any questions about how to manage your online activities, please contact your module leader.

If you have an issue about the module, you should speak to your Module Leader or Course Leader informally in the first instance. Your Course Representative can also raise your concerns at Course Committees, which take place each semester. If you are unable to resolve it informally, you should refer to the Complaints Procedure which is outlined in the student handbook and consult the Students' Union about it. The University aims to ensure that issues are resolved informally as quickly as possible to have minimum impact on your studies.

## 2.3 Getting support for your studies

Throughout your course of study, you will have access to a wide variety of sources of support depending on your individual circumstances and needs. Your first point of call for getting general academic support is your Personal Tutor. As well as approaching your Module Leader with any questions specifically related to your module and your Course Leader with questions on your Course, do contact your Personal Tutor for academic advice in relation your studies and your academic development.

Apart from the University-wide support framework, which encompasses the Module Leaders, Course Leader, the Subject Librarian and your Course Administrator, you will also have at your disposal the MIUC Academic Support Team. The Team offers Academic Skills Workshops throughout the year, helping you to develop skills relevant to your degree. Workshops include for instance Essay Planning and Writing; Critical Thinking; Reflective Writing; Group Work and Presentation Skills.

English Language support and One-to-one academic support opportunities are also available. For information about all these services, please consult the Academic Office.

## 2.4 Student support

In addition to the support listed in the previous section, there is also more help offered by MIUC Student services, consisting of Student Life Department, Internship Support, Life Coaching Service and Counselling service. They offer a wide range of support and services consisting of extracurricular activities; Careers and internship support; Student Welfare and Counselling.

Contact Student Services for more information at:

Student Life Department: [student.life@miuc.org](mailto:student.life@miuc.org)

Internship Support: [TBC](#)

Life Coaching Service: Ms. Ana Cante, [ana.cante@miuc.org](mailto:ana.cante@miuc.org)

Counselling Service: Ms. Eva Berkovic, [eva@miuc.org](mailto:eva@miuc.org)

## 2.5 Module evaluation – have your say!

Towards the end of the module you will be invited to provide some anonymous feedback to the Module Leader through a (online) survey. This is your opportunity to give some direct feedback about the module through a series of questions and free text. Your constructive feedback will help the Module Leader and teaching team to understand the module experience from your perspective and helps inform the development of the module.

## 3 Appendix: Weekly content

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### Week 1

Key concepts/issues: Module organisation, structure and assignments

Literature for this session:

- Spullber, D. F. (2009). *The Theory of Firm: Microeconomics with Endogenous Entrepreneurs, Firms, Markets, and Organizations*. Cambridge University Press
- The Economist. (n.d.). Why do firms exist? [online] Available at: <https://www.economist.com/the-economist-explains/2017/09/18/why-do-firms-exist> (Accessed 16 Feb. 2020).

This week you will be introduced to the module organization, structure and assignments. You will explore the time commitments you will need to make and the skills you will develop through the duration of the module.

It will also cover the basic concepts of the separation of consumer and firm objective and the efficiency gains obtained by the formation of firms will be discussed.

### Week 2

Key concepts/issues: Sole proprietorship, Partnership, Corporation

Literature for this session:

- Skripak, S. J. and Poff, R (2020). *Fundamentals of Business*, 3rd Edition, Blacksburg, VA: VT Publishing. <http://hdl.handle.net/10919/99283>
- Spullber, D. F. (2009). *The Theory of Firm: Microeconomics with Endogenous Entrepreneurs, Firms, Markets, and Organizations*. Cambridge University Press
- Roberts, M.J. (2004). *Legal Forms of Organization*. Harvard Business Publishing Education.

In this week, students will recognise the importance of entrepreneurs in our economy. This week introduces students to the basic concepts of entrepreneurship and their decision making process.

### Week 3 and 4

Key concepts/issues: setup costs, credit rationing, debt vs. equity

Literature for this session:

- Horne, J. V. and Wachowicz, J. M. (2009). *Fundamentals of Financial Management*. Pearson.
- Hofstrand, D. (2013) *Types and Sources of Financing for Start-up Businesses*. Available at <https://www.extension.iastate.edu/agdm/wholefarm/html/c5-92.html> (Accessed: 8 February 2019)
- The Economist. (2021). *Why the world is addicted to debt*. [online] Available at: <https://www.economist.com/the-economist-explains/2015/05/17/why-the-world-is-addicted-to-debt> (Accessed 28 January 2021).
- The Economist (2009) *Debt or Equity?* [online] Available at: <https://www.economist.com/buttonwoods-notebook/2009/03/26/debt-or-equity> (Accessed 28 January 2021).
- The Economist (2015) *The Great Distortion* [online] Available at:

<https://www.economist.com/leaders/2015/05/16/the-great-distortion> (Accessed 28 January 2021).

- Čalopa, M., Horvat, J., & Lalić, M. (2014). 'Analysis of financing sources for start-up companies'. *Management : Journal of Contemporary Management Issues*, 19, 19-44.

In this week, we will study entrepreneurs' entry decision which is affected by the setup cost, such as regulation constraints, financial constraints. In particular, we will study the advantage and disadvantage of debt financing, including tax benefit, bankruptcy cost, management control, etc.

## **Week 5 and 6**

Key concepts/issues: Private equity financing

Literature for this session:

- Horne, J. V. and Wachowicz, J. M. (2009). *Fundamentals of Financial Management*. Pearson.
- Cherif, M. and Elouaer, S. (2008). 'Venture Capital Financing: A Theoretical Model'. *The Journal of Applied Business and Economics*, 56-81.
- The Economist (2015) *Cool, man – Crowdfunding* [online] Available at: <https://www.economist.com/special-report/2015/05/07/cool-man> (Accessed 28 January 2021)
- The Economist (2015) *The Stars are the Limit* [online] Available at: <https://www.economist.com/business/2015/02/12/the-stars-are-the-limit> (Accessed 28 January 2021)

In this week, we will study entrepreneurs' entry decision which is affected by financial constraints. In particular, we will study the most important source of start-up finance – venture capital finance, and discuss the advantages of VC financing relative to bank loans.

## **Week 7 and 8**

Key concepts/issues: Cost of debt and Equity

Literature for this session:

- Horne, J. V. and Wachowicz, J. M. (2009). *Fundamentals of Financial Management*. Pearson.
- Ellis, K., Michaely, R. and O'Hara, M (1999). A Guide to the Initial Public Offering Process. Available at: <http://forum.johnson.cornell.edu/faculty/michaely/guide.pdf> (Accessed: 8 February 2019)

We will first study how to evaluate cost of capital private firms. After a successful Initial Public Offering, a firm becomes public. As a public firm, it has better opportunities to access to external finance, both debt and equity. We will then study how to value the stock and bond and determine the cost of capital for the firm. Finally, we will also discuss briefly how agency costs could play a role in determining the capital structure.

## **Week 9 and 10**

Key concepts/issues: Lean startup firms, Validated learning, Build-Measure-Learn loop

Literature for this session:

- Eisenmann, T. R., Ries, E. and Dillard, S. (2011) 'Hypothesis-driven Entrepreneurship: The

Lean Startup'. *Harvard Business School Background Note 812-095*

- Blank (2013) 'Why the Lean Start-Up Changes Everything?' *Harvard Business Review* Available at: <https://hbr.org/2013/05/why-the-lean-start-up-changes-everything> (Accessed: 8 February 2019)
- Ladd (2016) 'The Limits of the Lean Startup Method'. *Harvard Business Review*. Available at: <https://hbr.org/2016/03/the-limits-of-the-lean-startup-method> (Accessed: 8 February 2019)

We will study the new business model for startups - lean startup method this week. Compared to a traditional business plan, the lean startup method aims to reduce the cost, time, as well as the failure rate when launching a new business or a new product. We will examine the main principles of this method and we will use real-life examples to see how this method works. Furthermore, we will also examine the limitations of this method in practice.

## **Week 11**

Key concepts/issues: Risk management, Portfolio Theory, Diversification, Option contracts, Exchange Rate Risk

Literature for this session:

- Baranoff, E. Z., Brockett, P. and Kahane, Y. (2014). *Risk management for enterprises and individuals*. Irvington, New York: Flat World Knowledge.
- Horne, J. V. and Wachowicz, J. M. (2009). *Fundamentals of Financial Management*. Pearson.
- T. Rowe Price Information Library (n.d.) *Managing Risk through Diversification*. Available at <https://individual.troweprice.com/staticFiles/Retail/Shared/PDFs/Insights/ManagingRiskThroughDiversification.pdf> (Accessed: 8 February 2019)

In this week, we will examine the benefit and costs of diversification. Moreover, we will study the additional risk management tools commonly used by firms such as option contracts. Finally, we will discuss the extent of risk minimization through diversification by introducing the concepts of unsystematic and systematic risk. We will also focus on multi-national firms and their influences on today's trade. When a firm expands to be a multi-national firm, it faces a bigger market and has more opportunities. However, this also is accompanied by more risk, particularly, the exchange risk. We will study how a multi-national firm manages this risk.

## **Week 12 and 13**

Key concepts/issues: Merger and acquisition decision making

Literature for this session:

- Gaughan, P. A (2017). *Mergers, Acquisitions, and Corporate Restructurings*. Wiley
- The Economist (2016) *Global mergers and acquisitions*. Available at: <https://www.economist.com/economic-and-financial-indicators/2010/07/01/global-mergers-and-acquisitions#print> (Accessed: 8 February 2019)
- The Economist (2014) *The new rules of attraction*, Available at <https://www.economist.com/business/2014/11/14/the-new-rules-of-attraction> (Accessed: 8 February 2019)
- The Economist (2014) *Return of the big deal*. Available at <https://www.economist.com/business/2014/05/01/return-of-the-big-deal> (Accessed: 8 February 2019)

Some firms decide to expand through merger and acquisition. In this week, we will understand the factors that affect firms' merger and acquisition decision. We will also study basic valuation method commonly used when M&A occurs.

## **Week 14**

Key concepts/issues: Basic financial statement interpretation

Literature for this session: Lecture notes provided by the lecturer

In this week, we will study basic accounting concepts; in particular, we will understand how to read a financial statement.



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