



APPLIES TO ACADEMIC YEAR 2004/2005

BØK 9932 Financial Strategy

Program

Bachelor of Business Administration Program in Finance

Responsible for the course

Knut Sagmo

Department

Financial Economics

Term

According to study plan

ECTS Credits

6

Objective

The main objective of the course is to provide students with a basic understanding and appreciation of the main theories relating to understanding firms' major financial decisions, such as choice of capital structure and dividend policy. Also; the students are supposed to acquire an understanding of option pricing theory and how firms' financial decisions are exposed to additional uncertainty in an international environment.

Prerequisites

Basic Financial Management from a first-year Foundation Program in Business Administration, or equivalent.

Compulsory literature

Ross, Stephen A., Randolph W. Westerfield and Jeffrey Jaffe. 2004. *Corporate finance*. 7th. ed. Boston, Mass.: Irwin/McGraw-Hill (RWJ).

All articles, handouts and material discussed in class.

Recommended literature

Ross, Stephen A., Randolph W. Westerfield and Bradford D. Jordan. 2003. *Fundamentals of corporate finance*. 6th ed. Boston, Mass.:Irwin/McGraw-Hill.

Course outline

1. Introduction to Corporate Finance	ch. 1	(RWJ)
2. Financial Leverage, Risk and Return	ch. 12	"
3. Capital Structure: Basic Concepts	ch. 15	"
4. Capital Structure: Limitations to Debt	ch. 16	"
5. Valuation, Leverage and the APV-approach	ch. 17	"
6. Dividend Policy	ch. 18	"
7. Options and Corporate Finance: Basics	ch. 21	"
8. Options and Corporate Finance: Extensions	ch. 22	"
9. International Corporate Finance	ch. 32	"

Computer-based tools

Students are recommended to use computer-based tools, such as spreadsheets and statistical software. Such tools are not allowed at the examination.

Course structure

The course is based on 42 lecture-hours of teaching (12 lectures plus 6 hours of exercises and tutoring). Exercises highlighting and demonstrating practical applications of the theory will be used extensively in class. Completion with a passing grade on four home-assignments is required prior to being allowed to register for the exam. This requirement will be strictly enforced. The final exam is given in English.

Evaluation

A final, 3-hour, multiple-choice exam concludes the course.

Evaluation code(s)

BØK 99321 Financial Strategy - Multiple-choice exam, counts 100% of the grade in BØK 9932
6 ECTS credits.

Aids at the examination

Financial calculator and interest rate tables.

Makeup exam

At the next ordinary exam.