



APPLIES TO ACADEMIC YEAR 2005/2006

EMS 8950 Basic Financial Management

Program

Bachelor in Real Estate (2. year)

Responsible for the course

Dag Michalsen

Department

Financial Economics

Term

According to study plan

ECTS Credits

6

Objective

The main objective of the course is to provide students with basic insight into the theoretical and practical aspects of the capital budgeting decisions made by the firm. With respect to capital budgeting, this implies that in addition to a careful discussion of traditional decision-making rules like net present value and internal rate of return, considerable emphasis is placed on capital budgeting under uncertainty, including portfolio theory and risk and return. The financing decisions are dealt with more pragmatically, emphasizing the cost of capital for different sources of long-term financing, as well as estimating the overall cost of capital for the firm.

Prerequisites

The course is based on knowledge acquired in the statistics course of the Foundation Program in Business Administration or similar. The part-time course option also requires knowledge corresponding to the courses in Managerial Accounting. Full-time students need to keep themselves up to date with the progression of the courses in Managerial Accounting.

Compulsory literature

Books:

Bøhren, Øyvind og Dag Michalsen. 2001. Finansiell økonomi: teori og praksis. 2. utg.

Sandvika: Skarvet forlag.

Bøhren, Øyvind og Per Ivar Gjærum. 1999. Prosjektanalyse. 2. utg. Sandvika : Skarvet forl.

Other:

Rentetabeller. Siste utgave. Sandvika: BI forl.

Recommended literature

Other:

Korsvold, Pål og Dag Michalsen. Eksamensoppgaver med løsningsforslag i finans. Siste utgave. Sandvika: BI forl.

Course outline

1. Introduction and Overview. BG ch. 1
2. Short-term Financial Planning. BG ch. 2-5
3. The Time Value of Money. BG ch. 6
4. Capital Budgeting under Certainty. BG ch. 7 and 12
5. Capital Budgeting under Uncertainty. BM ch. 1-3, BG ch. 8-9
6. Sources of Long-term Financing. BM ch. 4-5, BG ch. 10
7. Organizing Capital Investments and Performance Measurement. BG ch. 11

Computer-based tools

Students are advised to make use of computer-based tools in the course, for instance spreadsheets. At the examination, however, computer-based tools are not allowed.

Course structure

The course is based on 36 teaching lecture hours. In addition to regular lecturing, there will be 6 hours of problemsolving.

Evaluation

A three-hour individual multiple choice exam concludes the course.

Evaluation code(s)

EMS 89501 - multiple choice exam, counts 100% of the grade in EMS 8950, 6 ECTS credits.

Aids at the examination

Financial calculator and interest tables are allowed.

Makeup exam

A makeup exam is held in every term.