



APPLIES TO ACADEMIC YEAR 2005/2006

EXC 2300 Basic Financial Management

Program

Bachelor of Science in Business (1. 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

There are no special prerequisites beyond especially the courses in mathematics and macroeconomics in the first semester,

Compulsory literature

Books:

Brealey, R.A., S.C. Myers and A.J. Marcus. 2004. Fundamentals of corporate finance. 4th ed. Boston: McGraw-Hill/ Irwin

Recommended literature

Course outline

1. Introduction and Overview (ch. 1-2)
2. Accounting and Finance (ch. 3)
3. The Time Value of Money (ch. 4)
4. Valuing Bonds and Stocks (ch. 5-6)
5. Capital Budgeting under Certainty (ch. 7-9)
6. Capital Budgeting under Uncertainty (ch. 10-11)
7. The Cost of Capital (ch. 12)

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)

EXC 23001 - multiple choice exam, counts 100% of the grade in EXC 2300, 6 ECTS credits.

Aids at the examination

Financial calculator and interest tables are allowed.

Makeup exam

A re-sit is held in connection with the next scheduled exam in the course.