APPLIES TO ACADEMIC YEAR 2008/2009

EXC 2300 Basic Financial Management

Program
Bachelor in Business Administration (2. year)

Responsible for the course
Dag Michalsen

Department

Term
According to study plan

ECTS Credits
6

Language of instruction
English

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. 2006. Fundamentals of corporate finance. 5th 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.

Please note that whilst attendance is not compulsory, it is the students responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book. Homepages and/or Blackboard are not designed for the purpose of students who choose not to attend class.

Evaluation code(s)
EXC 23001 - Multiple choice exam, counts 100% of the grade in EXC 2300, 6 ECTS credits.

Aids at the examination
BI-approved exam calculator and interest tables are allowed.

Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary.
http://www.bi.edu/studenthandbook/examaids

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