



APPLIES TO ACADEMIC YEAR 2011/2012

EXC 2110 Basic Financial Management

Programme

Bachelor in Business Administration (BBA) (2. year)

Responsible for the course

Dag Michalsen

Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

7,5

Language of instruction

English

Introduction

The essence of business administration includes corporate finance (=investment and financing). Good knowledge within these areas is a necessary prerequisite to understand the economic content of investment and financing decisions, obtain decision-relevant information, discuss and assess alternatives, make correct decisions and convey relevant and useful information.

The aim of the first course within the field of corporate finance is to provide the students with essential basic knowledge and skills, so that they can take part in discussions on problems in finance and carry out simple analyses within the field, make correct decisions and communicate the results of the analyses in a comprehensible manner.

The course Basic Financial Management is mainly focused on capital budgeting. By studying the main activities carried out in a company as an investment project over several periods, emphasis is placed on considering all economic effects of the project and of taking a long-term perspective (over several years, until the project is completed). The course therefore starts with capital budgeting. The finance area also focuses on how uncertainty affects decisions on which investments should be made (the risk and return on individual projects and portfolios) and owners', creditors' and companies' capital costs.

Learning outcome

Acquired knowledge

After taking the course, the students shall be able to explain key concepts and give an account of the tools used in analyses of finance problems (these tools include methods, techniques, models, theories, etc. applied in the subject area).

- Examples of concepts that students shall be able to explain: sunk cost, present value, future value, income statement, annuity, cash flow and risk adjusted cost of capital, variance, standard deviation, expectation, efficient portfolios, risk aversion, bonds, market efficiency, anomalies, risk premium.
- Examples from the toolbox: cash budget, investment budget, net present value, internal rate of return, capital asset pricing model, portfolio theory.

Acquired skills

After taking the course, the students shall be able to (a) apply knowledge (i.e. concepts and skills) in analyses and discussions on financial problems, (b) distinguish between relevant and irrelevant information, and (c) give written answers to questions so that the readers understand the applied methods and conclusions. Examples:

- When the tool is given, be able to apply the tool correctly
- Based on simple situation descriptions, choose the right tool and apply it correctly
- Based on more complex situation descriptions, be able to produce relevant information, link it to the suitable tool and apply the tool correctly

Reflection

After taking the course, the students shall be able to ask critical questions and reflect on crucial assumptions and theories within the business economics field.

Prerequisites

Basic bachelor courses in Mathematics and Statistics.

Compulsory reading

Books:

Hillier, David, Iain Clacher, Stephen Ross, Randolph Westerfield, Bradford Jordan. 2011. Fundamentals of Corporate Finance (European Edition). McGraw-Hill.

Recommended reading

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.

Learning process and workload

The course will include a combination of lectures and plenary tutorials where solutions to exercises will be explained.

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/It's learning or text book.

Coursework requirements

There will be two mandatory hand-in assignments. The assignments will be in the form of two small cases selected from the end-of-chapter mini-cases in the textbook.

The following is an indication of the time required:

Activity	Hours
Lectures	36
Plenary tutorials where exercises will be explained	6
Preparation for lectures and plenary tutorials	108
Preparation for hand-in assignment	10
Preparation for the final exam	40
Total recommended use of time	200

Use of hours

36 hours - Lectures

6 hours - Plenary tutorials where exercises will be explained

3 hours - Administration of learning activities

45 hours total

Coursework requirements

Note that successful completion (approved / not approved) of the two hand-in assignments is required to sit for the final exam.

Examination

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

Examination code(s)

EXC 21101 – Multiple-choice examination, accounts for 100% of the grade in EXC 2110 Basic Financial Management 7,5 ECTS credits.

Examination support materials

Interest tables and BI-approved exam calculator and allowed. TEXAS INSTRUMENTS BA II Plus™

Examination support materials at written examinations are specified under exam information in our web-based Student Handbook. Please note the use of calculator and dictionary.

<http://www.bi.edu/studenthandbook/examaids>

Re-sit examination

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

Students that have not received a passing mark for the two hand-in assignments must retake the exercises during the next scheduled course. Students that have not passed the written exam or who wish to improve their grade must retake the exam in connection with the next scheduled course.

Additional information