



APPLIES TO ACADEMIC YEAR 2011/2012

EXC 3601 Financial Decision Making

Programme

Bachelor in Business Administration (BBA) (2. year), Bachelor in Business Administration (BBA) (3. year), Exchange Program

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 (i.e. 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 this second 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 Financial Decision Making is mainly focused on financing issues and management of financial risks. By studying the main activities carried out in a company as financing projects over multiple periods, emphasis is placed on evaluating all economic effects of the project and of taking a long-term perspective. The course therefore starts with capital structure and dividend decisions, followed by risk management topics.

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 corporate 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: differentiate between the advantages and/or disadvantages of different financing instruments, capital structure decisions in different tax regimes, how dividend decisions might affect firm value, the difference between a merger and an acquisition, how foreign exchange risk affects financing decisions, the key concepts of derivatives and how they can be used to manage financial risk
- Examples from the toolbox: valuation methods, cash flow effects of paying (distribution) policy, option pricing, foreign exchange relationships.

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 field of corporate finance.

Prerequisites

The course is based on Basic Financial Management from the Bachelor of Business Administration Programme or equivalent.

Compulsory reading

Books:

Brealey, Richard A., Stewart C. Myers, Alan J. Marcus. 2012. Fundamentals of corporate finance. 7th ed. McGraw-Hill/ Irwin

Recommended reading

Course outline

Financing	(chapter 14-15)
Capital Structure Decisions	(chapter 16)
Dividend Policy	(chapter 17)
Mergers and Aquisitions	(chapter 21)
International Financial Management	(chapter 22)
Options	(chapter 23)
Risk Management	(chapter 24)
What We Do and What We Do Not Know about Finance	(chapter 25)

Computer-based tools

Students are recommended to use computer-based tools, e.g. spreadsheets. Such tools, however, are not allowed at the examination.

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 the text book.

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

Coursework requirements

During the course there will be two mandatory hand-in assignments. The assignments will be published in It's learning and in order to sit for final examination the students must have both assignments approved by the lecturer.

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

To sit for final exam students must hand in and get both assignments approved by the lecturer.

Examination

A three-hour multiple-choice examination concludes the course.

Examination code(s)

EXC 36011 - Multiple Choice exam accounts for 100% of the grade in the course EXC 3601 Financial Decision Making, 7.5 credits.

Examination support materials

The BI-approved examination calculator and interest rate tables are allowed.

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 normally held at the end of the next course.

Additional information