



APPLIES TO ACADEMIC YEAR 2011/2012

## GRA 8051 Corporate Finance

### Programme

Executive Master of Business Administration (EMBA) Program

### Responsible for the course

Dag Michalsen

### Department

Department of Financial Economics

### Term

According to study plan

### ECTS Credits

5

### Language of instruction

English

### Introduction

The objective of the course is to familiarise the participants with how organisations should make and do make financial decisions.

### Objective

The objective of the course is to familiarise the participants with how organisations should make financial decisions. For a firm, these decisions are:

- The real asset decision:
  - How should the firm invest in real productive assets?
  - How should the firm assess risk?
- The financing decision:
  - How should the firm finance its real assets (debt or equity)?
- The dividend decision: To what extent should the firm distribute profits to the owners and to what extent should the profits be retained (reinvested)?

Typically, these decisions are strategic in nature since they are frequently costly to reverse and have significant, long-term and risk consequences.

### Learning outcome

#### Acquired knowledge:

- Project cash flow analysis
- Methods for evaluating investment projects
- Handling risk in project analysis
- Determining a company and project cost of capital
- Determination of the appropriate firm capital structure
- Determination of the firms' dividend policy
- Leasing
- Mergers and acquisitions

#### Acquired skills:

- Choosing between good and bad investment projects
- Adjusting project returns for risk
- Choosing the appropriate capital structure and dividend policy for a firm
- Analyzing the advantages and disadvantages of leasing
- Estimating the economics consequences of mergers and acquisitions

#### Reflection:

The participants should be able to evaluate the trade-off between risk and return in making financial decisions.

**Prerequisites**

Bachelor degree or equivalent, 5 years work experience, managerial experience and good written and oral knowledge of the English language.

**Compulsory reading****Books:**

Hillier, David; Ross, Stephen; Randolph W. Westerfield; Jeffrey Jaffe; Bradford D. Jordan.. 2010. Corporate finance. European ed. McGraw-Hill

**Other:**

Cases (will be distributed)

**Recommended reading****Course outline**

1. Introduction to financial management (1-2)
2. Cash flow (3)
3. Net present value (4-5)
4. Investment rules (6)
5. Economic project analysis (7-8)
6. Risk (9, 10, 12)
7. Financial strategy/leverage (13-17)
8. Dividend policy (18)
9. Issuing securities (19)
10. Leasing (21)
11. Options (22)
12. Mergers and acquisitions (29)

**Computer-based tools**

Spreadsheets will be used extensively in the course

**Course structure****Learning process and workload**

The course is conducted through a total of 32 hours of lectures and casework. The cases are prepared in groups and discussed in class. It is expected that the participants actively participate in class discussions.

**Coursework requirements**

A number of cases will be used throughout the course. It is expected that the participants have prepared themselves beforehand for the discussion of the cases in the classroom.

**Examination**

1. Individual hand-in case (will be distributed): 60 % of the grade
2. Group hand-in case (will be distributed): 40 % of the grade

**Examination code(s)**

GRA 80511; accounts for 100 % to pass the course GRA 8051, 5 ECTS credits.

The course is a part of a full Executive Master of Business Administration Program and all evaluations must be passed to obtain a certificate for the degree.

**Examination support materials****Re-sit examination**

Re-takes are only possible at the next time a course will be held. When course evaluation consists of class participation or process elements, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee.

**Additional information**