APPLIES TO ACADEMIC YEAR 2013/2014

GRA 6540 Applied Finance

Programme
Master of Science in Business, Specialization Course

Responsible for the course
Dag Michalsen

Department
Department of Financial Economics

Term
According to study plan

ECTS Credits
6

Language of instruction
English

Introduction
Applied Finance is a useful addition to undergraduate corporate finance courses for students with any major but finance. However, its primary function is to provide the necessary basis for further studies in finance. Thus, this course is a prerequisite for all students wanting a finance minor, or simply wanting to include in their graduate course portfolio any of the other finance specialilzation courses offered. Note that this course does not qualify as a prerequisite for advanced specialization courses in finance.

This course is **not** for students majoring in finance (or in the MSc Financial Economics programme). Finance majors must take GRA 6543 Introduction to Asset Pricing as a compulsory prerequisite for all other finance courses in order to be prepared for more advanced courses in finance.

Learning outcome
This course strives to provide students who do not specialize or major in finance with the sound theoretical and practical foundations needed to fully benefit from and master the topics covered in finance specialization courses like Derivatives, Risk Management, Applied Valuation and Investments.

Prerequisites
An undergraduate corporate finance course

Compulsory reading
Books:
Hillier, David, Mark Grinblatt and Sheridan Titman. 2012. Financial markets and corporate strategy. 2nd European ed. McGraw-Hill

Articles:
Assigned articles

Other:
During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.
A list of compulsory readings will be provided on It's learning or in class.
Hillier, Grinblatt & Titman is the main textbook. Either Ross, Westerfield & Jaffe or Berk & DeMarzo is useful additional reading and may be referenced in class

Recommended reading
Books:
Berk, Jonathan, Peter DeMarzo. 2011. Corporate finance. 2nd ed. Pearson
Ross, Stephen A. ... [et al.]. 2008. Modern financial management. 8th ed. McGraw-Hill/Irwin. Tidligere utg. med tittel: Corporate finance

Course outline

I. Finacial markets and finacial intruments

1. *Raising capital* (GT chapter 1).
2. *Debt financing* (GT chapter 2).
3. *Equity financing* (GT chapter 3).

II. Valuing finacial assets

4. *Portfolio tools* (GT, chapter 4).
5. *Mean-variance analysis and the Capital Asset Pricing Model* (GT chapter 5 (and BKM chapter 9)).
6. *Factor models and the Arbitrage Pricing Theory* (GT chapter 6 and RWJ chapter 11)).
7. *Pricing derivatives (GT chapter 7).*
8. *Options* (GT chapter 8).
9. *Discounting and valuation* (GT chapter 9).

III. Valuing real assets

10. *Investing in risk-free projects* (GT chapter 10).
11. *Investing in risky projects* (GT chapter 11)
12. *Allocating capital and corporate strategy* (GT chapter 12).
13. *Corporate taxes* (GT chapter 13).

IV. Capital financial structure

14. *How taxes affect financing choices* (GT chapter 14).
15. *How taxes affect dividends and share repurchases* (GT chapter 15).
16. *Capital structure and corporate strategy* (GT chapter 17).

Computer-based tools
None, except It's learning/homepage

Learning process and workload
A course of 6 ECTS credits corresponds to a workload of 160-180 hours.

The instruction consists primarily of lectures and discussions of the readings assigned to the topics listed above. Students are expected to have read the material before each class meeting.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

Examination
The course grade will be based on the following activities and weights:
30%: Class work (in the form of a mix of some/all of the following: hand in of case write ups, projects, and homeworks; case presentations and class participation; in class midterm and quizzes).
70%: 3 hour written final exam.
Both parts of the evaluation need to be passed in order to get a grade in the course.

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for termpapers or other hand-ins, and/or where class participation can be one of several elements of the overall evaluation.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in It's learning.

Examination code(s)
GRA 65401 continuous assessment accounts for 100 % of the final grade in the course GRA6540.

Examination support materials
A bilingual dictionary and BI-approved exam calculator.
Exam aids at written examiniations are explained under exam information in the student portal @bi. Please note use of calculator and dictionary in the section on examaids

Re-sit examination
It is only possible to retake an examination when the course is next taught.
The assessment in some courses is based on more than one exam code.
Where this is the case, you may retake only the assessed components of one of these exam codes.
Where this is not the case, all of the assessed components of the course must be retaken.
All retaken examinations will incur an additional fee.

Additional information

Honor Code
Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.