APPLIES TO ACADEMIC YEAR 2013/2014

GRA 6545 Risk Management

Programme
Master of Science in Business (Finance), Master of Science in Financial Economics

Responsible for the course
Geir Bjønnes

Department
Department of Financial Economics

Term
According to study plan

ECTS Credits
6

Language of instruction
English

Introduction
This course provides an introduction to derivatives and risk management for non-financial firms.

Learning outcome
This course will give students an understanding of corporate risk management: why corporations should hedge and what tools they may use to do so. The course will give an overview of the pricing and use of derivatives for risk management, as well as insights into the corporate hedging decision. The course will contain both theory and examples/cases of risk management applications.

Prerequisites
GRA 6540 Applied Finance, GRA 6543 Introduction to Asset Pricing/GRA 6533 Theory of Finance or equivalent.

Compulsory reading
Books:
Stulz, René M. 2002. Risk management & derivatives. Thomson South-Western

Collection of articles:
Supplementary readings

Other:
During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading

Course outline
(Details may vary from year to year)
1. Pricing of forwards, futures, options
2. Hedging with forwards, futures, options
3. Motives for hedging: why should firms hedge?
4. Measuring risk: value-at-risk and cash-flow -at -risk
5. Binominal pricing and the Black-Scholes model
6. Case study(ies)

Computer-based tools
Excel spreadsheet, It's learning/homepage

Learning process and workload
A course of 6 ECTS credits corresponds to a workload of 160-180 hours.
Lectures. (Class participation and problem solving is essential).

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
Your 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).
Final written 3 hour exam accounts for 70% of the grade.
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 65451 continuous assessment accounts for 100% of the final grade in the course GRA 6545.

Examination support materials
A bilingual dictionary, interest tables 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.