



APPLIES TO ACADEMIC YEAR 2014/2015

BØK 3632 Financial Strategy

Programme

Bachelor of Business Administration (3. year)

Responsible for the course

Siv J Staubo

Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

7,5

Language of instruction

Norwegian

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 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 Strategy 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 an introduction to option pricing and management of foreign exchange risk.

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 should be able to explain: capital structure decisions in different tax regimes, how dividend decisions might affect firm value, how a project's investment and financing decisions can be valued separately, how foreign exchange risk affects financing decisions, the key concepts of options
- 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 Basic Financial Management from the Bachelor of Business Administration Program, or equivalent.

Compulsory reading

Books:

Bøhren, Øyvind og Dag Michalsen. 2012. Finansiell økonomi : teori og praksis. 4. utg. Fagbokforlaget. Kapittel 5-

Other:

Rentetabeller. Siste utgave. Handelshøyskolen BI

Recommended reading**Books:**

Korsvold, Pål E. og Geir Bjønnes Høidal. 2012. Finansiell risikostyring. Oppgaver og løsninger. Cappelen Damm Akademisk. Kapittel 1-4

Course outline

1. Financial Leverage and Risk. BM ch. 6
2. Capital Structure Decisions. BM ch. 7-8
3. Adjusted Present Value. BM ch. 9
4. Dividend Policy. BM ch. 10
5. Option Pricing Theory. BM ch. 11
6. FOREX and Risk Management. KB ch. 1-4

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 | H o u r s |
|---|----------------------------------|
| Lectures | 3 9 |
| Plenary tutorials where exercises will be explained | 6 |
| Preparation for lectures and plenary tutorials | 1 1 5 |
| Preparation for the final exam | 4 0 |
| Total recommended use of time | 2 0 0 |

E-learning

The e-learning platform It's learning is used by the e-learning centre to administrate the mandatory exercises, and make students able to communicate with each other and the Lecturer. Module sessions are carried out at the beginning of the semester and before exams. The e-learning students are also offered a study guide which is an educational guide to the syllabus.

Use of hours

39 hours - Lectures

6 hours - Plenary tutorials where exercises will be explained

45 hours total

Examination

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

Examination code(s)

BØK 36321 -Multiple-choice examination, counts 100% towards the grade in the course BØK 3632 Financial Strategy, 7,5 ECTS credits.

Examination support materials

A BI-approved exam calculator and interest rate tables are allowed.

Examination support materials at written examinations are explained under examination information in the student portal @BI. Please note use of calculator and dictionary. https://at.bi.no/EN/Pages/Exa_Hjelpemidler-til-eksamen.aspx

Re-sit examination

A re-sit examination is offered every term.

Additional information