



APPLIES TO ACADEMIC YEAR 2014/2015

GRA 6540 Applied Finance

Programme

Master of Science in Business, Specialization Course

Responsible for the course

Hamid Boustanifar

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 specialization courses offered. Note that this course does not qualify as a prerequisite for advanced specialization courses in finance.

The first half of the course will revisit basic principles for valuing financial assets and challenge the students to implement them. We will focus on portfolio theory (mean-variance analysis), the CAPM and some extensions thereof. The second half of the course will first revisit basic insight in capital structure with a particular focus on the Miller Modigliani Theorem and when it does and does not hold. We will apply this knowledge to some real world case studies, and a discussion of regulation of banks capital requirements if time allows. Lectures will be used to refresh the theory and are followed up by examples and exercises, small projects and cases that give you the opportunity to apply the concepts and techniques to real-world situations. The cases will provide hands-on experience with real data.

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

The goal of this course is to make you apply the fundamental concepts in investments and corporate finance. To this end students will use the analytical tools previously learned in real data applications with a focus on asset pricing models and solve business cases. The methods addressed in this course are at the very core of finance and are an essential part of the toolkit of financial managers. To better connect theory and practice, a crucial part of the course consists of projects using real data and cases.

By the end of the course, students who mastered it will have the financial background and the analytical tools necessary for making good investment decisions, understanding the paradigms in asset pricing, analyzing the impact of each financing type on firms' value, and having a better grasp of the financial news.

Prerequisites

An undergraduate corporate finance course

Compulsory reading

Books:

Berk, Jonathan, Peter DeMarzo. 2014. Corporate finance. 3rd ed., Global ed. Pearson

Other:

Hamid Boustanifar. Lecture notes/slides

Recommended reading

Books:

Hillier, David ... [et al.]. 2013. Corporate finance. 2nd European ed. McGraw-Hill Higher Education

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

Course outline

- Introduction to financial markets/instrument
- Portfolio tools
- Mean-variance analysis
- Capital Asset Pricing Model (CAPM)
- Factor Models
- Capital structure in perfect markets
- Capital structure with taxes
- Capital structure with bankruptcy costs
- Financial options
- Valuing real assets

Computer-based tools

Basic knowledge of one of spreadsheet packages (e.g: Microsoft Excel) would be very helpful.

Learning process and workload

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

The instruction consists of combination of lectures, in-class and in-group problem solving, and discussion of cases. Students are expected to have read the material before each class meeting.

Please note that while attendance is not compulsory, 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 (based on hand in of case write ups and presentations, homeworks, and class participation).

70%: 3-hour written final exam.

To get a final grade in the course, students need to complete and achieve a passing grade in all parts of the evaluation.

In this course class attendance is mandatory. Absences can result in a lower score. 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 term papers 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.

Examination support materials at written examinations are explained under examination information in the student portal @bi. Please note use of calculator and dictionary in the section on support materials.

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.