



APPLIES TO ACADEMIC YEAR 2014/2015

MAN 1658/1659 Financial Strategy and Management

Programme

Responsible for the course

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Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

30

Language of instruction

English

Introduction

The purpose of this course is to provide the students with the insight into the theoretical and practical aspects of the investment and financing decisions. This course focuses on the practical and theoretical aspects of valuation, understanding the connection between financial markets and pricing of various financial assets. The course involves identification and analysis of risk as well as cash flow uncertainty, influenced by the enterprise's portfolio of assets and capital structure. Central issues - how the decisions affect the value of the enterprise - will be dealt with.

Learning outcome

Knowledge and understanding:

The students will develop:

- ability to study and evaluate the development and role of markets when taking managerial decisions;
- ability to explain the value of managerial choice opportunities;
- ability to evaluate the financial condition of companies;
- ability to apply scientifically-substantiated value determination methods;
- ability to understand the peculiarities of finance management at international companies and to identify the associated risks.

Cognitive skills:

Students will acquire skills required to

- forecast cash flows of investment projects and to determine the value of investments by using various methods;
- compute and evaluate investment financing costs by using various methods (WACC, APV, FTE);
- analyse and evaluate company mergers and acquisitions;
- compute the value of securities (shares, bonds) and of portfolios of securities;
- evaluate and measure financial risks;
- use derivatives for risk management purposes;
- imitate (simulate) the implementation of an investment project, which involves the computing of the net present value (NPV) and the consideration of associated risks.

Transferable skills, competence and attitudes:

Students should acquire competencies at the highest levels of Bloom's taxonomy - from simple, concrete behavior through complex to more abstract behavior (special emphasis being placed on knowledge application: being able to choose, classify, use, interpret, calculate, relate and demonstrate; analysis: separate, recognize, test, differentiate and solve; synthesis: design, order, develop, create, summarize, combine and propose; evaluation: evaluate, justify, critique and appraise).

At the end of the course, students are expected to be able to influence and take investment and financing decisions as an individual investor, as well as the manager of the enterprise.

Prerequisites

Bachelor degree, corresponding to 180 credits from an accredited university, university college or similar educational institution.

The applicant must be at least 25 years of age.

At least four years of managerial work experience.

Motivation evidence to accomplish study requirements.

At least upper intermediate level of English

Compulsory reading

Recommended reading

Course outline

- Overview of finance: What is corporate finance? Financial statements and cash flow.
- Value and Capital Budgeting. Financial markets and Net present value.
- Financial investments: Financial markets; Risk and expected return: Capital Asset Pricing Model; Arbitrage pricing theory; Markowitz portfolio optimization; Measuring portfolio performance. Market efficiency.
- Decisions related to financing: Long-term financing: Corporate financing decisions; Corporate equity structure; Corporate long-term debt; Patterns of financing. Debt-equity ratio and risk: Pie model; Financial leverage and firm value; Modigliani & Miller theory. Weighted average cost of capital method. Dividend policy.
- Valuation: Accounting-based cash flow models. Sales driven budgeting logic. Future profit-earning potential based on existing accounting results, future strategy and expected activities by owners. Required rate of return in practice. Multiplier methods. Sequential and direct valuation of equity. Cases of Mergers and Acquisitions, Initial Public Offering.
- Financial Risk Management: Risk governance. Application of forwards; futures; swaps, options.
- International Finance: Globalization and the multinational firm. International monetary system. Market for foreign currency exchange. Exchange risk management. International financial institutions.

Computer-based tools

None

Learning process and workload

The program is conducted through 16 course modules, a total of 128 lecturing hours. Project tutorials differ in each Master of Management module. It will consist of personal tutorials and tutorials given in class. Generally the students may expect consulting tutorials, not evaluating tutorials. The total hours of tutorials offered is estimated to one hour per students following an ordinary Master of Management module

Examination

The students are evaluated through a term paper, counting for 10 credit hours and an 4 hours individual written exam, counting for 20 credit hours. Both evaluations must be passed to obtain a certificate for the module. The term paper may be written individually or in groups of maximum three persons. Both evaluations must be passed to obtain a certificate for the program.

Examination code(s)

MAN 16581 - Term paper; accounts for 100 % to pass the program MAN 1658, 10 credits.

MAN 16591 - Written exam; accounts for 100 % to pass the program MAN 1659, 20 credits.

Both evaluations must be passed to obtain a certificate for the module.

Examination support materials

No examination support materials allowed

Re-sit examination

At the next ordinary exam.

Additional information

Compulsory literature (total 1642 pages):

1. Berk, J., & DeMarzo, P. (2011). *Corporate Finance* (2nd ed.). Prentice Hall (1001 pages).
2. Hawawini, G., Viallet, C. (2011) *Finance for Executives. Managing for Value Creation*. South-Western. Cengage Learning (641 pages).

Recommended literature (total 2755 pages):

1. Ross, S. A., Westerfield, R. W., & Jaffe, J. (2008). *Corporate Finance* (8th ed.). McGraw-Hill/Irwin (916 pages).
2. Benninga S. (1997) *Corporate finance: a valuation approach*. McGraw – Hill (486 pages).
3. Haugen. (2001). *Modern Investment Theory* (5th ed.). Prentice-Hall (656 pages).
4. Mishkin F., Eatkins S. (2003). *Financial Markets and Institutions* (4th.ed). Addison Wesley (697 pages).
5. M.C.Jensen, "Value Maximization, Stakeholders Theory, and the Corporate Objective Function", *Journal of Applied Corporate Finance*, Fall 2001, pp 8-21.
6. Douglas J.Skinner, "The Evolving Relation between Earnings, Dividends and Stock Repurchases", *Journal of Financial Economics*, Vol.87,2008, pp 582-609.
7. Tarun K. Mukherjee, "Reducing the Uncertainty-Induced Bias in Capital Budgeting Decisions- a Hurdle Rate Approach", *Journal of Business Finance & Accounting*, September 1991, pp 747-753.
8. N.Burns and Kedia, "The Impact of Performance- Based Compensation on Misreporting", *Journal of Financial Economics*, January 2006, pp 35-67.

9. Jonathan M. Karpoff, D.Scott Lee, Gerald S. Martin, "The Cost to Firms of Cooking the Books", *Journal of Financial and Quantitative Analysis*, September 2008, pp 581-612.