



APPLIES TO ACADEMIC YEAR 2015/2016

BØK 3423 Finance

Programme

Bachelor of Auditing (1. year), Bachelor of Business Administration (1. year), Bachelor of Business Law (1. year), Bachelor of Entrepreneurship and Business (1. year), Bachelor of Finance (1. year), Bachelor of Real Estate (1. year), Foundation Program of Business Administration

Responsible for the course

Kjell Jørgensen

Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

7,5

Language of instruction

Norwegian

Introduction

This introductory course in finance focuses primarily on the investment side of the subject of finance. The purpose of the course is to equip students with necessary knowledge about terms and methods used in order to make sound investment decisions. It should be mentioned that the methods taught are applicable to both financial investments (stocks and bonds) and real investments (production facilities, equipment etc.).

Learning outcome

Acquired knowledge

During the course students should develop knowledge of:

- The role of investment analysis in finance.
- Why we focus on cashflows and not on earnings.
- The economic content/meaning of cashflows.
- The concepts underlying the time value of money.
- What is meant by the term discount rate/cost of capital.
- The meaning of, and difference between, the different decision criteria for an investment/financing opportunity. Notably the NPV, IRR, Payback etc.
- How capital rationing affects the investment decision for real investment opportunities.
- How one can use the above mentioned decision criteria in order to value financial investments like bonds and stocks as well as real investment opportunities.
- What is meant by total risk, relevant risk and irrelevant risk.
- The portfolio theory and its impact on what we call diversification benefits - on a conceptual level,
- What is meant by Beta and how to interpret its size.
- The Capital Asset Pricing Model (CAPM) and how this is derived - on a conceptual level,
- What is meant by the Weighted Average Cost of Capital (WACC) and when this should be used.
- The value of flexibility in investment opportunities - on a conceptual level,

Acquired skills

Upon completion of the course the students should be able to:

- Budget cash flows.
- Apply the different rules for discounting and compounding with the help of a financial calculator, Excel or interest rate tables.
- Understand the economic content in the different decision criteria for an investment/financing opportunity.
- Distinguish among the different decision criteria.
- Apply the different decision criteria on real investment opportunities with or without capital rationing.
- Apply the different decision criteria on financial investments like bonds and stocks.
- Apply the portfolio theory on different investment opportunities.
- Calculate Beta.
- Derive the Capital asset Pricing Model (CAPM) on an intuitive level.
- Apply the Capital Asset Pricing Model (CAPM).
- Calculate the Weighted Average Cost of Capital (WACC).

Reflection

In the course there will be focus on the assumptions underlying the different theories covered. Hence, it is expected that students will have a critical attitude towards the realism of these. The students should upon completion of the course have a

good understanding of the practical applicability of the theories covered.

Prerequisites

Basic course in mathematics and statistics or equivalent.

Compulsory reading

Books:

Bøhren, Øyvind og Per Ivar Gjærum. 2015. Finans: Innføring i investering og finansiering. Fagbokforlaget

Recommended reading

Course outline

- Introduction - How the course fit into the subject of finance.
- Cashflows.
- Time value of money.
- Capital budgeting (Net Present Value, Internal Rate of Return, Payback etc.).
- Capital rationing.
- The pricing of bonds.
- The pricing of stocks.
- Introduction to risk.
- The Capital Asset Pricing Model (CAPM).
- Weighted Average Cost of Capital (WACC).

Computer-based tools

Not necessary, but it can be useful to do some exercises from the syllabus that requires the use of Excel

Learning process and workload

There will be 12 3-hour lectures and 2 3-hour lecturer-guided problemsolving sessions. In order to stimulate the learning environment the lecturer will seek two ways communication with the students. Students should feel responsible for class participation by asking questions, commenting and participate in class discussions.

Required work (mandatory exercises)

There are four (4) mandatory assignments (multiple choice questionnaires) during the semester, of which students must get approved three. The assignments are to be submitted through It's learning.

Recommended use of hours:

Activity	Hours
Lectures	36
Lecturer-guided problemsolving in class*	6
Preparation to lectures and problemsolving	110
Work requirements (4x1.5)	6
Exam preparations	39
Exam	3
Recommended total activity	200

The lecturer-guided problemsolving is integrated in class*

Use of hours

36 hours - lectures

6 hours - lecturer-guided problemsolving

3 hours - administration of work requirement

45 hours - total

Coursework requirements

Three out of four individual multiple choice questionnaires with grading scale Pass/Fail needs to be passed in order to be able to sit the final exam.

Examination

The course is completed with a 3 hour written exam.

Examination code(s)

BØK 34231 Written exam that counts 100% in order to obtain a grade in BØK 3423 Introduction to finance. 7,5 ECTS

Examination support materials

Interest tables 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 (https://at.bi.no/EN/Pages/Exa_Hjelpemidler-til-eksamen.aspx).

Re-sit examination

A re-examination is offered every term.

Students who do not get approved their mandatory assignment or who have not met the work requirement in the course are not allowed to take the exam. This means that they must take the course once again. Students who do not achieve a Pass for the written exam or who want to improve their grade, must re-sit for the examination later to complete the course.

Additional information