



APPLIES TO ACADEMIC YEAR 2015/2016

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 completing the course, students are required to master tasks such as

Understand the concepts of debt and equity, such as bonds and equity issues:

- Understand the concept of capital structure and the relationship between leverage and risk
- Understand the meaning of perfect capital markets
- Understand the impact of taxes on valuation of assets
- Understand the importance of dividend
- Understand option pricing
- Understand basic concepts in currency
- Understand the parity models and basic risk management

Acquired skills

Students having completed the course are required to conduct analytical exercises such as:

- Calculate the value of a bond and a share issue
- Calculate impact on debt-to equity ratios on risk in equity and the value of the company with or without debt
- Explain the importance of taxes for valuation of the assets
- Explain the importance of the dividend
- Explain theories contrary to the perfect capital markets
- Explain the principles in the options pricing
- Calculate the cross rates in Exchange, parity models and give a general explanation of risk management

Reflection

The course is based on Modigliani and Miller's propositions for capital markets, and then explains challenges in real world. The student should be able to relate to the importance of these different theories for the business, the owners, the employees and the community. The student should be able to ask critical questions to all the aspects that have a bearing on a company's value. Moreover, the students, after this course, should be able to reflect on how a business should be run in order for it to be a positive contribution to society in general.

Prerequisites

The course Basic Financial Management from the Bachelor of Business Administration Program, Introduction to Finance or equivalent..

Compulsory reading

Books:

Bøhren, Øyvind og Dag Michalsen. 2012. Finansiell økonomi : teori og praksis. 4. utg. Fagbokforlaget. Kapittel 6-11

Korsvold, Pål og Geir Bjønnes Høidal. 2012. Finansiell risikostyring. Cappelen Damm akademisk

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

Computer-based tools

Students are recommended to use spreadsheets.

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 the student's responsibility is 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	Hours
Lectures	36
Plenary tutorials where exercises will be explained	6
Preparation for lectures and plenary tutorials plus work on two voluntary hand-in assignments	118
Preparation for the final exam	40
Total recommended use of time	200

E-learning

The e-learning platform It's learning is used by the e-learning centre to administer 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.

Recommended at BI Online course:

Activity	Hours
Participation in lectures	10
Work on study guide, submitting assignments, activities on It's learning	55
Self study / reading literature	70
Task review in plenary	5
Preparation for lectures and problem solving	20
Preparation for examination	40
Recommended use of hours in total	200

Use of hours

36 hours - Lectures

6 hours - Plenary tutorials where exercises will be explained

3 hours - administration
45 hours total

Examination

A three-hour individual written exam concludes the course.

Examination code(s)

BØK 36321 - Written exam 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