APPLIES TO ACADEMIC YEAR 2015/2016

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

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have spesific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

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)
- Capital structure in perfect markets
- Capital structure with taxes
- Capital structure with bankruptcy costs
- Financial options
- Valuing real assets

Computer-based tools

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
Class participation (10%) also includes a group presentation.

Form of assessment	Weight	Group size
Assignment	30%	Group of max 3 students
Class participation	10%	
Written examination 3 hours	60%	Individual

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded using points on a scale from 0-100. The final grade for the course is based on the aggregated mark of the course components. Each component is weighted as detailed in the course description. Students who fail to participate in one/some/all exam components will get a lower grade or may fail the course. You will find detailed information about the points system and the mapping scale in the student portal @bi.

Examination code(s)
GRA 65401 continuous assessment accounts for 100 % of the final grade in the course GRA6540.

Examination support materials
BI approved exam calculator
Bilingual dictionary
Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

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. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

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.