



APPLIES TO ACADEMIC YEAR 2016/2017

FIN 3521 Corporate Finance

Programme

Bachelor of Finance (2. year)

Responsible for the course

Espen Henriksen

Department

Department of Finance

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 in corporate finance is to provide the students with essential 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 focuses mainly on capital structure and dividend decisions, followed by an introduction to option theory, risk management and mergers and acquisitions.

Learning outcome

Acquired knowledge

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

- Understand the concept of capital structure, the relationship between debt and equity
- Understanding the relationship between leverage and risk
- Understand the meaning of perfect capital markets
- Understand the meaning of taxes on the valuation of assets
- understand the importance of dividend
- Understanding option pricing
- Understand the basis for risk management
- Understand the basis of mergers and acquisitions

Acquired skills

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

- Calculate the debt-to-equity ratio's impact on cost of equity
- Calculate the value of the company with and without debt
- Explain the impact of taxes on valuation of the assets
- Explain the importance of the dividend
- Explain the principles of options
- Explain the importance 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

BØK 3423 Finance or equivalent.

Compulsory reading

Books:

David Hillier, Stephen Ross, Randolph Westerfield, Jeffrey Jaffe, Badford Jordan. 2016. Corporate finance. 3rd ed. European. McGraw-Hill Higher Education

Recommended reading

Books:

Bøhren, Øyvind; Michalsen, Dag. 2012. Finansiell Økonomi: Teori og praksis. 4. utgave. Fagbokforlaget. 270

Course outline

- Capital Structure: Basic concepts
- Capital Structure: Limits to the use of debt
- Valuation and capital budgeting for the levered firm
- Dividends and other payouts
- Equity financing
- Debt financing
- Options and corporate finance
- Warrants and convertibles
- Mergers and acquisitions

Computer-based tools

It is recommended to use spreadsheets for solving the three mandatory assignments.

Learning process and workload

The course builds around 42 lecture hours, mandatory work assignments, individual reading of assigned chapters from the text, and independent work on the end-of-chapter problems. Conduct of class and teaching style assumes students have prepared by reading the material lectured on, and (ii) have satisfied the required prerequisites. Allocation of studying-hours as follows is recommended:

Activity	Hours
Attendance in class	36
Home assignment problem-solving in class	6
Independent reading/preparation for class	125
Mandatory three work assignments	15
Final exam preparation	18
Sum	200

Coursework requirements (Mandatory)

During the course, three work assignments are given. The assignments are distributed electronically on It's learning. Answers to the assignments problems are to be submitted electronically. Two out of the three assignments must be passed in order to sit for the final exam given at the end of the lectures series. Administrative details regarding the mandatory work assignments will be provided in class.

Feedback on the assignment problems is provided in two ways:

1. It's learning sums up and automatically returns to students their overall score upon submission of the answers.
2. A review of the assignment problems is given during the first class-meet following each assignment.

Use of hours

36 hours - class (lecturing)

6 hours - lecturing/presenting solution to problems

3 hours - administration of the learning process in Itslearning

45 hours total

Coursework requirements

In order to sit for the final exam, students must obtain approval of minimum two of three assignments during the course. See Learning process and workload.

Examination

A three (3) hour individual written, closed-book exam concludes the course.

Examination code(s)

FIN 35211 - Written exam counts for 100% of course grade in FIN 3521 Corporate Finance; 7,5 ECTS credits.

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

Re-sit examination is offered every term.

Additional information