

FIE402E - Corporate Finance

Course responsible

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Objectives:

The focus of this course is how to make optimal corporate financial decisions. Having finished the course, students will have a better understanding of the principles and tools for evaluating the firm's investment and financing decisions. They will be able to analyze complex investment decisions by using techniques such as discounted cash flow (DCF) valuation and real options. They will better understand the various trade-offs involved in making financing decisions such as the firm's choice of capital structure (i.e. debt and equity mix) and dividend policy, and they will comprehend how financial decisions may affect the firm's cost of capital and value. In addition, students will gain an understanding of and institutional knowledge in areas related to equity and debt issues.

Topics

The course is built around the following three main topics:

- (i) Valuation and value creation: project analysis, pricing of shares, cost of capital
- (ii) Options in corporate finance: real options, equity as an option, convertible debt
- (iii) Financial strategy: capital structure, dividend policy, issuing of securities

Prerequisites

None. Students may take this course either before or after FIE400 and FIE403.

Literature

Corporate Finance

A course package containing additional readings and case assignments is sold by the Compendium Office. Note that the content in this course package may change from term to term. All written materials are in English.

Teaching

Lectures in Norwegian/Swedish (402N) or in English (402E). All power points are in English.

Students should be prepared to discuss case assignments in class.

Requirements for course approval

Students have to successfully complete 50% of the assigned homework problems in MyFinanceLab on time. These problems involve basic calculations and concepts related to the materials covered in class.

In addition, there will be five case or exercise assignments during the term, to be solved either individually or preferably in groups of three to four students. At least one of these assignments must be handed in and approved. Each approved hand-in will give 4 points towards the final grade on the exam, for a maximum of 20 points. The write-ups are graded as either approved (4 points) or not approved (0 points). Approval requires that the hand-in demonstrates an ability to analyze the material with a reasonable degree of judgment and independent thinking. Note that (i) the assignments will not be returned to students; and (ii) they will only count towards the exam in the term that they are handed in.

Exam

There is a four-hour long written final exam. The final exam will have a maximum score of 100 points. The exam will be written in English. Students may respond in Norwegian or English for the course offered in Norwegian whereas for the course offered in English students have to respond in English. Students are allowed to bring a calculator with empty memory.

For the total grade, the score on the write-ups will be added to the score on the final exam in the same term. The total score is capped at 100 points. That is, a student could obtain a top score either by getting a maximum score of 100 on the final exam, or by completing all five case write-ups satisfactorily and getting at least 80 points on the final exam. However, when a student retakes the exam in a later term, the final score will reflect only the score on the final exam, with no credit for the previous course work.

The overall performance will be graded on a standard scale from A to F.

Grading scale A - F.

Computer tools

Knowledge of Excel.

Access to the internet and MyFinanceLab. For students who wishes to not buy the course book (Berk and DeMarzo), a license to MyFinanceLab can be purchased directly from the internet.