



## Course syllabus

School of Business and Economics

Department of Management Accounting and Logistics

2FE086 Bachelor Course in Finance I, 30 högskolepoäng

Bachelor Course in Finance I, 30 credits

### **Main field of study**

Business Administration

### **Subject Group**

Business Administration

### **Level of classification**

First Level

### **Progression**

G2F

### **Date of Ratification**

Approved 2017-10-18

Revised 2018-10-03 by School of Business and Economics.

The course syllabus is valid from autumn semester 2019

### **Prerequisites**

The student shall have completed 60 credits within Business Administration, including basic courses in Financial Accounting, Finance and Management Accounting, or the equivalent. English B/English 6 or the equivalent.

## Objectives

### **Module 1: Accounting Theory, 7.5 credits**

After completed module, the student is expected to be able to:

- describe the structure of international standards pertaining to financial accounting (IFRS=International Financial Reporting Standard)
- apply accounting standards for solving accounting problems
- explain principles for valuation and performance measurement within accounting in theory and practice, and apply these principles for assessing accounting problems
- describe the development of theories and research within the accounting field, and apply accounting theories for analysing accounting-related phenomena
- explain the meaning and function of auditing
- carry out and report an assigned project in written and oral form within specified time constraints

### **Module 2: Econometrics, 7.5 credits**

After completed module, the student is expected to be able to:

- formulate a hypothesis based on economic theory and specify a testable

econometric model

- explain and describe regression models (simple and multiple), their properties and inference
- identify, explain and solve for problems such as heteroscedasticity, autocorrelation and multicollinearity
- explain and interpret time series models such as Autoregressive Integrated Moving Average (ARIMA) and Generalized Autoregressive Conditional Heteroskedastic (ARCH)/Autoregressive Conditional Heteroskedastic (GARCH)
- explain and identify Grangercausality, (non)stationarity and cointegration
- apply regression models to estimate and analyze economic relationships
- explain the possibilities and limitations associated with different data when using regression analysis
- explain and understand the intuition of the most common statistical methods to isolate causal effects
- interpret results in written and oral form from a regression analysis in both a scientific and a popular way
- use statistical software to perform data processing and estimation

### **Module 3: Portfolio Choice Theory, 7.5 credits**

After completed module, the student is expected to be able to:

- analyze conditions and developments on the financial markets
- account for financial assets, the risks of investing in financial assets and how financial assets can be used in risk management
- explain the formation of prices in financial markets and about the essential theories in finance
- account for interest rate theory, portfolio theory and derivatives theory
- calculate financial relationships and the price of financial assets

### **Module 4: Corporate Finance I, 7.5 credits**

After completed module, the student is expected to be able to:

- account for financial theory and methods, and apply these for analyzing and reason on a sophisticated level about financial issues
- perform advanced financial planning for firms based on varying conditions
- account for the basics of international finance and international capital markets
- describe the function and organization of the capital market, from the perspective of firms, the capital market, and society
- account for the basics of cash management, and apply these for optimizing firms' cash flows in varying situations
- apply financial theory and experiential knowledge in order to, within a given timeframe and with a consistently described and executed method, perform valuation of a firm, and present the results in both written and oral form
- carry out an opposition of co-students' reports characterized by a critical and reflective stance

## **Content**

### **Module 1: Accounting Theory, 7.5 credits**

The module contains:

- survey of the impact of international accounting standards (IFRS) on the form and content of financial accounting
- survey of the elements of financial accounting with a focus on the how problems pertaining to them are treated within normative accounting theory and accounting standards
- outline of the development of accounting theory and accounting research
- orientation on the content, structure and execution of auditing

## **Module 2: Econometrics, 7.5 credits**

The module contains:

- Ordinary Least Squares
- model specification and diagnostics testing
- dynamic econometrics models
- causality and instrumental variables
- identification, estimation, diagnostic testing and prediction of ARIMA-models

## **Module 3: Portfolio Choice Theory, 7.5 credits**

The module contains:

- financial markets and financial assets
- risk, return, the efficient frontier for risky assets and optimal portfolio choice
- Capital Assets Pricing Model (CAPM), Arbitrage Pricing Theory (APT) and evaluation of risky investments
- interest rate calculations and analysis of the yield curve
- the determinants of the interest rate and the term structure of interest rates
- valuation of bonds, equities, forwards and options
- the law of one price, arbitrage and the efficient market hypothesis on the financial markets
- risk management with financial assets
- behavioural finance

## **Module 4: Corporate Finance I, 7.5 credits**

The module contains:

- capital markets and the pricing of risk
- optimal portfolio choice and the Capital Asset Pricing Model
- estimating the cost of capital
- investor behavior and capital market efficiency
- capital structure in a perfect market
- debt and taxes
- financial distress, managerial incentives, and information
- payout policy
- capital budgeting and valuation with leverage
- valuation and financial modeling

## Type of Instruction

### **Module 1: Accounting Theory, 7.5 credits**

The teaching consists of lectures and seminars.

### **Module 2: Econometrics, 7.5 credits**

The teaching consists of lectures, laboratory sessions and obligatory seminars.

### **Module 3: Portfolio Choice Theory, 7.5 credits**

The teaching consists of lectures and group exercises.

### **Module 4: Corporate Finance, 7.5 credits**

The teaching consists of lectures, seminars and practical assignments.

## **Concerning all modules:**

Obligatory parts are stated in the schedule.

## Examination

The course is assessed with the grades A, B, C, D, E, Fx or F.

### **Module 1: Accounting Theory, 7.5 credits**

The module is assessed through written exam and a paper project, which is presented at

a seminar.

**Module 2: Econometrics, 7.5 credits**

The module is assessed through laboratory session, oral and written presentations and written exam.

**Module 3: Portfolio Choice Theory, 7.5 credits**

The module is assessed through written exam.

**Module 4: Corporate Finance I, 7.5 credits**

The module is assessed through individual case assignments and an individual written exam.

**Concerning all modules:**

The grade A constitutes the highest grade on the scale and the remaining grades follow in descending order where the grade E is the lowest grade on the scale that will result in a pass. The grade F means that the student's performance is assessed as fail.

After each regular examination there will be at least one new examination in close proximity to the date the results of the regular exam were posted. Students who are close to the passing grade of reports can complement after instructions and time-frame given by the examiner to obtain a pass grade.

Grading criteria for the A–F scale are communicated in writing to the student by the start of the module at the latest.

## Course Evaluation

During the implementation of the course or in close connection to the course a course evaluation is to be carried out. Result and analysis of the course evaluation is to be presented as feedback both to the students who have completed the course and to the students who are to participate on the course the next time it is offered. The course evaluation is to be carried out anonymously.

## Credit Overlap

The course cannot be included in a degree along with the following courses of which the content fully, or partly, corresponds to the content of this course: Module 1: 2FE190, 2FE050, 2FE001, 2FE919, 2FE044:1, 2FE045:1, 2FE046:1 and 2FE085:1 with 100 % each.

Module 2: 1NA005:2, 2NA001, 2FE045:2, 1NA004:2, 1NA011, 1NA016:2 and 1NA071 with 7,5 credits each.

Module 3: 2NA002, 2FE045:3, 1NA004:6, 1NA074 and 2NA01E:5 with 100 % each. The module also overlap 2NA060 with 80 %.

Module 4: 2FE193, 2FE004, 2FE918, 2FE044:4, 2FE045:4 and 2FE085:4 with 100 % each.

## Other

Degree-seeking students, aiming towards achieving an undergraduate degree, are expected to complete this course and the follow-up course 'Bachelor Course Finance II Including Degree Project' at Linnaeus University. These two courses combined with a minimum of 120 credits of previous studies, out of which at least 60 credits in Business Administration and 30 credits outside of Business Administration, might make the student eligible for an undergraduate degree. All students have to apply for a degree upon completion of their studies, and their degree application is evaluated in relation to the local degree regulations at Linnaeus University.

## Required Reading and Additional Study Material

**Module 1: Accounting Theory 7.5 credits**

**Required reading**

Bragg, S. M. *IFRS Guidebook. Accounting tools*. Latest edition. About 450 pages.

Deegan, C. & Unerman, J. *Financial Accounting Theory*. McGrawHill. Latest edition. About 580 pages.

International Accounting Standards Board. *IFRS standards (red book)*. IFRS Foundation. Latest edition. (Accounting standard).

Scientific articles. About 80 pages.

**Module 2: Econometrics, 7.5 credits**  
**Required reading**

Gujarati, D.N. *Basic Econometrics*. McGraw Hill. Latest edition. About 900 pages.

Scientific articles and statistics provided by the teacher. About 100 pages.

**Module 3: Portfolio Choice Theory, 7.5 credits**  
**Required reading**

Bodie, Z., Kane, A. & Marcus, A., *Investments Global Edition*, McGrawHill. Latest edition. About 1080 pages.

Scientific articles within Financial Economics. About 150 pages.

**Module 4: Corporate Finance I, 7.5 credits**  
**Required reading**

Berk & DeMarzo. *Corporate Finance*. Pearson Education. Latest edition. About 1160 pages.

Additional study material. About 80 pages.