Linnæus University

Dnr: 2022/1091-3.1.2.2

Course syllabus

School of Business and Economics

Department of Management

2FE086 Bachelor Course in Finance I, 30 högskolepoäng
2FE086 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 2022-12-06 by School of Business and Economics. Change of department
The course syllabus is valid from spring semester 2023

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 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 judicial foundations for external accounting and explain the meaning and function of auditing
- apply accounting norms and recommendations 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 and taking sustainability into account
- 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 laws and recommendations on the form and content of external accounting and orientation on the function of auditing
- survey of the elements of financial accounting with a focus on the how problems are treated within normative accounting theory, regulation, recommendations and standards
- outline of the development of accounting theory and accounting research, including sustainability

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 tutorials.

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.

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 examined through a written examination (5 credits) and a written paper (2.5 credits).

Module 2: Econometrics, 7.5 credits
The module is examined through a written examination (5.5 credits), a laboratory session (1 credit) and a written assignment (1 credit).

Module 3: Portfolio Choice Theory, 7.5 credits
The module is examined through a written examination (7.5 credits).

Module 4: Corporate Finance I, 7.5 credits
The module is examined through a written case assignment that is presented orally (3 credits) and an individual written exam (4.5 credits).

The following applies to 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. Grading criteria for the A–F scale are communicated in writing to the student by the start of the module at the latest, as well as how the weighting and weighting of grades on individual examining elements to the final course grade takes place.

The grade of the course is a combined assessment from the grades of the various course modules. The combined assessment is based on the grades and the scope of the course (number of credits). The more extensive a module is, the greater impact it will have on the final grade. Module grades with the grading scale between G-U will not be considered into the combined assessment. However, a G is required for each of the modules in order to receive a final course grade. The basis for the student’s grade is determined by the student's fulfillment of the objectives.

Repeat examination is offered in accordance with Local regulations for courses and examination at the first and second-cycle level at Linnaeus University. An examiner can, in exceptional cases, decide that a student who is close to the level for a passing grade may carry out supplementary assignments in order to reach the passing grade.

If the university has decided that a student is entitled to special pedagogical support due to a disability, the examiner has the right to give a customised exam or to have the student conduct the exam in an alternative way.

Course Evaluation

During the implementation of the course or in close conjunction with the course, a course evaluation is to be carried out. Results and analysis of the course evaluation are to be promptly presented as feedback to the students who have completed the course. Students who participate during the next course instance receive feedback at the start of the course. The course evaluation is to be carried out anonymously.

Credit Overlap

The course cannot be included in a degree along with the following course/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 7.5 credits 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 7.5 credits each. The module also overlap 2NA060 with 6 credits.
Module 4: 2FE193, 2FE004, 2FE918, 2FE044:4, 2FE045:4 and 2FE085:4 with 7.5 credits 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
Deegan, C. & Unerman, J. *Financial Accounting Theory.* McGrawHill. Latest edition. About 580 pages.

FAR: Samlingsvolymen redovisning. FAR SRS Förlag. Latest edition (collection of accounting norms).

Smith, D. m.fl. *Redovisningens språk.* Studentlitteratur. Latest edition. About 340 pages.

Scientific articles. About 80 pages.

Module 2: Econometrics, 7.5 credits
Required reading
Wooldridge, J. *Introductory Econometrics*. Cengage. Latest edition. About 830 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.