



## Bachelor's courses School of Business and Economics

VU University Amsterdam - Student- & Onderwijszaken - Exchange programme Vrije Universiteit - 2018-2019



# Finance I

<b>Course code</b>	E_EBE1_FIN1 ()
<b>Period</b>	Period 5
<b>Credits</b>	6.0
<b>Language of tuition</b>	English
<b>Faculty</b>	School of Business and Economics
<b>Coordinator</b>	dr. M.B.J. Schauten
<b>Examinator</b>	dr. M.B.J. Schauten
<b>Teaching method(s)</b>	Lecture, Study Group
<b>Level</b>	100

## Course objective

At the end of the course you are able to examine and understand the capital budgeting problem, the asset pricing problem and the investment problem from the perspective of an investor in real assets and from the perspective of an investor in financial assets (Bridging Theory and Practice).

At the end of the course, you are be able to:

- examine and understand the capital budgeting problem, the asset pricing problem and the investment problem from the perspective of an investor in real assets and from the perspective of an investor in financial assets;
- analyse a real project from the perspective of financial economics;
- determine the value of financial assets such as shares and bonds;
- combine individual financial assets into a portfolio of financial assets and select an optimal portfolio given an investor's utility function;
- determine the cost of capital of a project and of a firm;
- explain and apply basic concepts in financial economics;
- apply theoretical knowledge into practice.

## Course content

In this course we discuss three main issues in finance: capital budgeting, asset pricing and financial investments. The capital budgeting decision involves how firms select projects that create value. The theoretically optimal decision rule—the net present value method—is discussed, also in relation to other selection criteria that are applied in practice. The asset pricing part concerns the way financial assets are priced by the market. The focus is on the pricing of shares issued by firms and bonds issued by firms and governments. Questions raised are: How are the term structure of interest rates and promised coupon payments related to bond prices? What is the influence of the expected stream of dividends and the level of market risk of firm's projects on the price of shares? The financial investment decision is approached from a portfolio perspective and ends with a discussion of the Capital Asset Pricing Model (CAPM).

## Form of tuition

Lectures  
Tutorials

## Type of assessment

Written exam – Individual assessment  
(Interim) Assignment(s) – Individual assessment

**Course reading**

- J. Berk and P. DeMarzo, Corporate Finance, Pearson, 4th Global Edition, 2017, ISBN 9781292160160.
- Finance, Text- and Workbook, latest edition.
- Additional material will be announced on Canvas.

**Recommended background knowledge**

Quantitative Research Methods I or equivalent