

F 3 Foundations of Finance (Capital Budgeting)

Academic Department	Prof. Dr. Klaus Schäfer BWL I: Chair of Finance and Banking	
Learning Outcomes	This course covers the key financial issues of a company. The lecture is accompanied by a tutorial featuring brief examples and additional exercises. Students will learn to characterize internal and external financing instruments and corporate finance decisions. They will be able to apply and analyze methods of capital budgeting and especially the net present value.	
Course Outline	<p>Main content areas (non-exhaustive and subject to changes without prior notice):</p> <ul style="list-style-type: none"> - Finance and the Firm - Internal and External Financial Instruments - Common Stock; Raising Capital by Initial Public Offerings - Debt Instruments (Bonds, Leasing, Credit Decisions, Bank Loans) - Short and Long Term Financial Planning - Capital Budgeting Decisions - Calculating Net Present Values - The Net Present Value Rule - Internal Rate of Return, Modified Internal Rate of Return - Deciding When to Replace an Existing Machine - Basic Concepts of Risk Analysis - Cost of Capital and the Effect of Financial Leverage 	
Teaching Mode	Lectures (2 hpw), tutorials (1 hpw). Both the lectures and tutorials are interactive. In-class and take-home case studies are used to highlight theoretical and practical problems. Independent study and reading is necessary. Literature is specified at the beginning of the course.	
Literature	<p>Brealey, Richard A. / Myers, Stewart C. / Allen, Franklin (2008): Principles of Corporate Finance, 9th ed., New York et al.</p> <p>Moles, Peter / Parrino, Robert / Kidwell, David (2011): Corporate Finance, European Edition, Chichester, West Sussex.</p> <p>Perridon, Louis / Steiner, Manfred / Rathgeber, Andreas (2012): Finanzwirtschaft der Unternehmung, 16. Auflage, München.</p>	
Recommended Prior Knowledge	None.	
Prerequisites	None. Please look out for announcements on the BWL I website.	
Assessment	60 minute written exam at the end of the course. Participating in all the course sessions, preparing case studies as a home work, discussing case studies actively in the plenary sessions.	
Workload	Attendance lectures	30 hrs
	Attendance tutorials	15 hrs
	Independent study (incl. preparation and reading for case studies, tests and lectures)	105 hrs
	sum:	150 hrs
ECTS-credits	5 credits.	
Time Span	1 semester (lecture 2 hpw, tutorial 1 hpw)	
Frequency of Course	Every second semester (currently summer semester)	