

Syllabus

BE 402, Finance II – Fall 2022



instructor: Professor Marcus M. Opp (Marcus.Opp@hhs.se)
www.marcusopp.com

seminar teachers Marcus Hagman (Marcus.Hagman@phdstudent.hhs.se)
Chunjie Wang (Chunjie.Wang@phdstudent.hhs.se)

overview: This course aims at providing a basic understanding of financial economics with emphasis on investment theory and practice. The goal of this class is to provide you with a structure for thinking about investment theory and show you how to address investment problems in a systematic manner. The topics include optimal portfolio choice, capital asset pricing model, market efficiency, financial derivatives, capital structure & risk management.

required text: Corporate Finance, by Jonathan Berk and Peter DeMarzo, **5th global Edition**, published by Pearson. Older editions of the book will not be “officially” supported, but they contain virtually all relevant content.

myFinanceLab: Weekly homework will be assigned on **MyFinanceLab** (due each Monday at 22.00). You must sign up via the Canvas App (as in your BE401 course). The course ID for this course is **opp89361**. The homework grade is calculated based on the best 5 scores. (Note, the Canvas gradebook may not reflect this policy.)

grades: The grading scheme will provide an incentive to take the exam on the first date. *If you take the exam on the first date*, your overall course grade will be based on homework (MyFinanceLab), 3 group projects (2 - 3 members) and a final exam. The baseline score is computed as:

Weekly Homework:	7 %
Group projects:	8 %
<u>Final exam</u>	<u>85 %</u>
Total	100 %

If your final exam score is better than the total score, the course grade will be only based on the final exam score.

Example 1) You score 60% on the final, but 100% on the homework and the group project, then your course score is: $60 \cdot 0.85 + 100 \cdot (0.07 + 0.08) = 66$. Since $66 > 60$, this will also be the course score.

Example 2) You score 100% on the final, but have zero in homework and group projects, then, your baseline score is $100 \cdot 0.85 + 0 = 85$, but because your final is better than the baseline score, your total course score will still be 100.

If you take the exam on a later date, your score will be entirely based on the Final Exam (100%). That is, if you score 81% on the final, your score is 81 for the total course. Homework and group projects won't count.

final exam: The date for the final exam is scheduled by the university.

special needs: Have you been granted educational support because of a documented disability? If so, please contact the course director as soon as possible so that adequate accommodations can be made. Contact specialneeds@hhs.se if you have questions about being granted educational support or need a copy of your educational support certificate. Read more at Special Needs on the Portal.

Organization of Class:

Sub-Topic	Agenda	Reading Assignments
	Module 1 – The stock market	
1	Simple stock valuation, Dividend Growth Model, Comparables Valuation, Market Efficiency	R: 9.1-9.5
2	Statistics Overview (Mean, Volatility/ Variance, Covariance, Estimation Error), Application to Stock Portfolios, Diversification, Systematic vs. Idiosyncratic risk	R: 10.1-10.6, 11.1-11.3
3	The Capital Asset Pricing Model. Portfolio theory and the relationship between risk and return, Implementation of CAPM (Estimating the Cost of Capital)	R: 11.4-11.8, 10.7-10.8, 12.1-12.3, U: 13.1-13.2.
	Module 2 – Derivatives	
1	Introduction to Options	R: 20
2	Valuation of Options	R: 21
	Module 3 – Capital Structure	
1	Capital Structure in Perfect Markets, Modigliani-Miller Theorem	R: 12.5, 14
2	Capital Structure with Taxes, Firm Valuation	R: 15.1-15.3, 18.1-18.3, 18.6
3	Capital Structure Choices with Agency Problems (only if covered in class)	R: Lecture Notes, U: 16.5-16.8

Legend: R = Required Reading (before class), U = Useful Reading (background information)