



## **Topics in Applied Finance**

### **Introduction to the course**

Welcome to the course *Topics in Applied Finance*. This course covers a wide range of applied finance topics such as corporate finance, financial risk and valuation, regulation, ethics and risk management, investment management and others areas of applied finance. The course as a practical approach and emphasizes the integration of the finance function within the context of managerial decision-making. Rather than heavily mathematical the course follows a more descriptive approach when possible. The course covers topics such as: investment decisions and strategies, company analysis and stock valuation, strategic financial decisions, securities valuation, equity portfolio management strategies, market efficiency and anomalies, among others. This course also provides an introduction to the theory and practice of finance and so provide a foundation for a more in-depth study of different aspects of finance to those who want to pursue a Masters in Finance.

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### **Learning Outcomes**

On successful completion of this course a student will be able to:

<b>1</b>	Use discounted cash-flow principles and net present value (NPV) techniques to perform successful project appraisals and discuss the basic principles of capital budgeting, including the choice of relevant cash flows. Demonstrate a working knowledge of capital budgeting concepts and analysis.
<b>2.</b>	Describe how taxes affect the cost of capital from different capital sources and explain how the marginal cost of capital and the investment opportunity schedule are used to determine the optimal capital budget.
<b>3.</b>	Describe the importance of asset allocation, in terms of the percentage of a portfolio's return that can be explained by the target asset allocation, and explain how political and economic factors result in differing asset allocations by investors in various countries. Demonstrate a working knowledge of the key elements of the portfolio management process, including the investment setting, investment policy and asset allocation.
<b>4.</b>	Apply the information obtained from financial statements in the valuation process and be familiar with corporate governance issues and risks affecting companies.
<b>5.</b>	Discuss and critique characteristics and practices related to board and committee independence and determine whether they are supportive of shareholder protection.
<b>6.</b>	Apply financial math to value assets with different patterns of cash flows (e.g. stocks and bonds) and capital market theory effect on expected returns and possible risk-return combinations when a risk-free asset is combined with a portfolio of risky assets.



## Learning and teaching activities

The course is a semester-long delivered in a mixture of lectures and seminars/tutorials (exercises assignment). Lectures introduce students to the topics, and the seminars are typically dedicated to the case studies, numerical questions and topics discussion. During the first half of the course some corporate finance puzzles will be debated such as the estimation of a company's equity risk premium, designing the perfect financing mix, firm value and investment decisions, bad and good reasons for paying dividends etc. The second part of the course is dedicated to topics addressing questions such as "to diversify or not to diversify? How risk averse are you?" and the discussion of investment strategies (e.g. Bond Investment Strategies, Yield Curve Spread Trades and Risk parity portfolio).

## Session Plan

	Session Description	Reading to Complete
1.	Estimate a company's equity risk premium. From Beta to Expected Return. Market values for debt and equity. Debt and the cost of debt. Beta for private companies	TBA
2.	Capital budgeting/investment appraisal. Firm value and investment - under and overinvestment.	TBA
3.	Capital structure. The life view of capital structure. The optimal debt ratio. Designing the perfect financing	TBA
4.	Dividends and share buybacks. Bad and good reasons for paying dividends.	TBA
5.	To diversify or not to diversify? The case of diversification (Markowitz) and concentration. How risk averse are you?	TBA
6.	Bond Investment Strategies (Hedging and Speculating)	TBA
7.	Yield Curve Spread Trades and Risk parity portfolio	TBA
8.	Revisions/workshop/mock coursework	

## Bibliography

TBA = To Be Announced