

Title of the Module: Corporate Financial Theory and Policy	Module - Number:
Module - Abbreviation: CFTAP	Credit Points: 6
Duration: One Semester	Level: Master
Units: This module will be taught in one unit.	Frequency of the Course Once a year
Teaching Language: English	Form of Examination: Combined Examination
Subject: Financial Theory and Policy Making	Status: Obligatory Module
Teaching Form, Attendance Time: Seminaristic, Teaching Hours (4 SWS = 72 academic hours of 45 Minutes = 54 hours)	
Time needed for self - studies, examinations, and examination preparation: 126 hours	Total Work Load: 180 hours

Required Preconditions:

Basic knowledge in Accounting, Statistics and Financial Mathematics. Advanced knowledge in Finance.

Learning Outcomes and Competences:

The major aim of this course is to bridge between a deeply based understanding of financial theory and related decisions to be made in everyday financial management. Following this goal the course will at first provide students extended knowledge in financial theory with a subsequently following intensive and case oriented discussion of typical objectives concerning a corporations financial management.

By this students will understand the interrelationships and deep interdependencies between efficiently working financial markets and the more micro oriented objective of capital allocation within corporations.

After a successful completion of this course program, students will be familiar with major paradigms of financial theory mirrored in major financial markets, products and processes as well as in corporate financial decision making. They will understand how a corporations finance and investment policy can be managed and how this is related to market processes.

Content of Course:

Financial decisions: Investment decisions, decisions under uncertainty, the theory of choice and foundations of utility theory. Introduction into state preference theory, portfolio theory and market equilibrium models like APT and CAPM. The framework of contingent claim valuation and real option analysis. The theoretical part also includes an extensive discussion of interest rates, the term structure of interest rates and its importance for derivative products and markets. A closer look on efficient market hypothesis and phenomena like information asymmetry and agency theory concludes the first part. Corporate policy has a focal point: valuation. Valuing investment proposals, financial products, corporations, strategies as well as policy mark the major content of the lecture's second part. Specifically performance measurement and several unsolved issues indicating the future of finance will provide a distinctive feature to this course.

Literature Recommendations:

Core Text:

Copeland, Thomas E.; Weston, Fred J.; Shastri, Kuldeep: Financial Theory and Corporate Policy, 4/E, Prentice Hall 2005

Further Readings:

1. Bodie, Zvi; Kane, Alex; Marcus, Alan J.: Investments, 5/E, McGraw-Hill, 20082
2. Brealey, Richard A.; Myers Stewart C., Principles of Corporate Finance, 9/E, McGraw-Hill, 2008
3. Brigham, Eugene F.; Ehrhardt, Michael C.: Financial Management: Theory and Practice, 8/E, Cengage, 2007
4. Megginson, William; Smart, Scott; Lucey, Brian: Introduction to Corporate Finance 2/E, Cengage 2008
5. Ross, Stephen A.; Westerfield, Randolph W.; Jaffe, Jeffrey; Jordan, Bradford D.: Modern Financial Management, 8/E, McGraw-Hill, 2007