



COURSE UNIT (MODULE) DESCRIPTION

| Course unit (module) title | Code |
|----------------------------|------|
| Finance I | |

| Academic staff | Core academic unit(s) |
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| Coordinator: Renata Guobužaitė Other(s): | Faculty of Economics and Business Administration |

| Study cycle | Type of the course unit |
|--------------------|-------------------------|
| First (Bachelor's) | Compulsory |

| Mode of delivery | Semester or period when it is delivered | Language of instruction |
|---|---|-------------------------|
| Face-to-face (lectures, classroom tutorials) and self-study | Semester 3 | English |

| Requisites | |
|---|--|
| Prerequisites: Mathematical Methods (part I) | Co-requisites (if relevant): none |

| Number of ECTS credits allocated | Student's workload (total) | Contact hours | Individual work |
|----------------------------------|----------------------------|---------------|-----------------|
| 5 | 130 | 37 | 93 |

| Purpose of the course unit | | |
|--|--|-------------------------------------|
| <p>The purpose of this course is to introducing students to the basic principles in finance. The topics taught cover:</p> <ol style="list-style-type: none"> 1. The valuation of firms, projects, and assets with and without risk 2. The determination of the riskiness of a firm via the Capital Asset Pricing Model (CAPM) 3. An introduction to market efficiency, capital structure, derivatives pricing. <p>Students after this course will be able to assess typical real-world finance problems such as the valuation of investment projects or financial assets, analyzing stock market returns, and understanding problems arising through information asymmetries.</p> <p>As this course introduces finance as a field within economics and business administration, focus will be given to the intuition and understanding of basic principles instead of focusing on strictly formal analysis.</p> <p>The teaching methods involve lectures and tutorials. In the lecture, the introduction to finance will be provided, focusing on the theory of finance, empirical regularities, and intuition.</p> <p>In addition, the tutorials will be used to discuss practical exercises that will either be demonstrated by the lecturer or be presented by students. The respective exercise sheets will be available before each tutorial session.</p> <p>Active participation and asking questions are essential in both the lectures and the tutorials.</p> | | |
| Learning outcomes of the course unit | Teaching methods | Assessment methods |
| Have acquired knowledge in classical and modern theories of economics and finance and is able to apply them when analysing economic problems. | Lectures and lecture notes, tutorials. | Midterm exam (25 / 35%, 45 minutes) |

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| Appreciate the possibilities and the limits of scientific research methods when solving economic problems. | Lectures and lecture notes, tutorials, applied data (Bloomberg) analysis. | Final exam (65 / 75%, 90 minutes) |
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| Content | Contact / Individual work: time and assignments | | | | | | | Contact hours, total | Individual work | Tasks for individual work |
|--|---|-----------|----------|-----------|-----------------|------------|-----------|----------------------|---------------------------------|---------------------------|
| | Lectures | Tutorials | Seminars | Workshops | Laboratory work | Internship | | | | |
| 1. Introduction and basics | 2 | | | | | | 2 | 6 | BMA, Ch. 1 | |
| 2. Financial markets and Net Present Value (NPV) | 4 | 2 | | | | | 6 | 10 | BMA, Ch. 2+5+6 | |
| 3. Valuation of bonds and stocks | 4 | 2 | | | | | 6 | 12 | BMA, Ch. 3+4 | |
| 4. Risk and return | 4 | 2 | | | | | 6 | 22 | BMA, Ch. 7-8 | |
| 5. Market Efficiency | 2 | 1 | | | | | 3 | 6 | BMA, Ch. 13 | |
| 6. Capital structure | 4 | 2 | | | | | 6 | 15 | BMA, Ch. 9, 16-18 | |
| 7. M&As, corporate strategy | 2 | 2 | | | | | 4 | 12 | BMA, Ch. 19+31 | |
| 8. Introduction to derivatives pricing | 2 | 1 | | | | | 3 | 10 | Hull, Ch. 13; BMA, Ch. 20+21 | |
| <i>Review Sessions</i> (optional) | 1 | | | | | | 1 | | | |
| Total | 25 | 12 | | | | | 37 | 93 | | |

| Assessment strategy | Weight % | Deadline | Assessment criteria |
|---------------------------|----------|--|--|
| Midterm exam (45 minutes) | 25/35 | After roughly half of the course | Written exam held before a lecture or tutorial. Potentially, a mixture of multiple choice questions and exercises that require calculations or concise answers. The share of the mid-term exam is 25% if the grade in the mid-term exam is worse than the final exam grade and 35% if better than the final exam grade. |
| Final exam (90 minutes) | 75/65 | Exam period (the two weeks before Christmas) | Written exam held in the exam period before Christmas. A collection of exercises that require calculations or concise answers. Midterm and final exams shall be assessed in the following way: |

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|---------------------|---|-----------------------------------|---|
| | | | <ul style="list-style-type: none"> - over 95%, or excellent: 10; - over 85%, or very good: 9; - over 75%, or good: 8; - over 65%, or fair: 7; - over 55%, or satisfactory: 6; - over 49%, or poor: 5. Under 49%, or unsatisfactory: 4, 3, 2, 1. |
| Class participation | Up to 0.5 additional grade points for the final grade | During tutorials; a class project | An active participation implies writing the solution on the board and explaining to everyone how the exercise was solved. |

| Author (-s) | Publishing year | Title | Issue no. or volume | Publishing house or web link |
|--|-----------------|--|---------------------|------------------------------|
| Required reading | | | | |
| Lecture slides as well as online resources will be made available to all students. | | | | |
| Richard A. Brealey; Stewart C. Myers; Franklin Allen (BMA) | 2020 | Principles of Corporate Finance | 13th global edition | McGraw-Hill |
| Recommended reading | | | | |
| Stephen Ross; Randolph Westerfield; Jeffrey Jaffe | 2012 | Corporate Finance | 9th edition | McGraw-Hill |
| Zvi Bodie, Alex Kane and Alan J. Marcus | 2010 | Investments | 9th edition | McGraw-Hill |
| John C. Hull | 2017 | Options, Futures and Other Derivatives | 10th edition | Prentice-Hall |