Lucerne University of
Applied Sciences and Arts

HOCHSCHULE
LUZERN

Business
FH Zentralschweiz

Principles of Finance

07.09.2021

General Information

Module Code	W.MRAFB51.19
Programme	Bachelor of Science / International Business Administration
Type of Module	Core module in major
Level of Module	Advanced
ECTS Credits / Workload	6 ECTS Credits (180 hours)

Module Dependencies

Pre-requisites	W.ALFIM21 (Corporate Finance)
Follow-up modules	W.MRAFB61 (Banking) W.MRAFB62 (International Financial Markets)

Module Aims

This course provides a first introduction into the principles of finance and investments. Students have a solid understanding of present value analysis and discounting, equity analysis, derivatives securities (forward, futures and options), and risk management.

Submodule 1: Financial Mathematics and Equity Analysis

Submodule code	MEA
ECTS Credits / Workload	1.5 ECTS Credits (45 hours)

Learning Outcome 1

Students understand the basic financial mathematics used in finance and the principles of equity valuation.

	Importance	Relevant NQF-Descriptors
Subject knowledge and skills: Students state the principles of equity valuation. Students apply the basic financial mathematics used in finance and the methods of equity valuation.	high	knowledge; application
Problem-solving: Students interpret the results of a corporate valuation and reflect the method used.	medium	judgement

Content Outline

1. How to Calculate Present Values
Future Values & Present Values
Growing Perpetuities/Annuities
Continuous Compounding
2. Valuing Bonds
Present Value Formula to value bonds
Term Structures of interest rates
Real and Nominal interest rates
3. The Value of Common Stocks
How common stocks are valued
Estimating the cost of capital

Valuing a Business by DCF
4. NPV and Other Investment Criteria
Net present value
Internal rate of return
Using the NPV / IRR rule
5. Equity Valuation Models
Valuation by comparables
DCF model
Intrinsic, market value & FCF valuation
6. Financing and Valuation
WACC
Valuing businesses
Using WACC in practice
7. Financial Statement Analysis
The major financial statements
Profitability measures, ratio analysis
Comparability problems

Teaching and Learning Methods

Contact Hours	exercises; lecture
Directed Study	individual work; group work; online training; compulsory reading

Workload

Contact Hours	12 lessons / 9 hours (20%)
Directed Study	4 lessons / 3 hours (6.7%)
Private Study	33 hours (73.3%)

Assignments and Assessments

Assessment Type	Quantity	Weight	Form	Evaluation Type	Time
Written examination	45 minutes	100%	closed book	grades	end of semester

Submodule 2: Derivatives and Risk Management

Submodule code DRM
ECTS Credits / Workload 1.5 ECTS Credits (45 hours)

Learning Outcome 1

Students understand derivatives (forward, futures and options) and the principles of financial risk management.

	Importance	Relevant NQF-Descriptors
Subject knowledge and skills: Students explain derivatives (forward, futures and options) and the principles of financial risk management. Students valuate derivatives (forward, futures and options).	high	knowledge; application
Problem-solving: The students develop strategies to hedge against financial risks.	medium	judgement

Content Outline

1. Option markets
Option Contract
Values of options
Option Strategies & Parities
2. Forward Futures Markets
Futures and Forward contracts
Margin accounts of futures contracts
Future prices vs expected spot
3. Swaps, and Risk Management
Swaps
Hedging interest rate risk
Hedging commodity prices

Teaching and Learning Methods

Contact Hours	exercises; lecture
Directed Study	individual work; online training; compulsory reading

Workload

Contact Hours	12 lessons / 9 hours (20%)
Directed Study	4 lessons / 3 hours (6.7%)
Private Study	33 hours (73.3%)

Assignments and Assessments

Assessment Type	Quantity	Weight	Form	Evaluation Type	Time
Written examination	45 minutes	100%	closed book	grades	end of semester

Submodule 3: Case Studies Corporate Finance

Submodule code CSF

ECTS Credits / Workload 3 ECTS Credits (90 hours)

Learning Outcome 1

Students apply the principles of finance to real cases studies by using genuine market data.

	Importance	Relevant NQF-Descriptors
Problem-solving: Students develop solutions for real cases.	high	application; judgement

Content Outline

Preparation, presention and discusson of different real live case studies in the field of Corporate Finance.

The major topics covered are:

- Present Value Calculations, Bond & Equity Valuations
- Net Present Value Calculations and IRR Rules
- Financing and Valuations
- Options and Risk Management

Teaching and Learning Methods

Contact Hours	seminar; presentations; discussion; case studies
Directed Study	individual work; group work

Workload

Contact Hours	18 lessons / 13.5 hours (15%)
Directed Study	6 lessons / 4.5 hours (5%)
Private Study	72 hours (80%)

Assignments and Assessments

Assessment Type	Quantity	Weight	Form	Evaluation Type	Time
Written examination	45 minutes	50%	specified resources	grades	end of semester
Oral group assignment	15 pages	50%	case study	grades	during semester