



# Course program and reading list

Semester 4 Year 2024

**School:** Arison School of Business MBA

## Financial Management 2

**Lecturer:**

Prof. Yaniv Grinstein [grinstein@runi.ac.il](mailto:grinstein@runi.ac.il)

**Tutors:**

Ms. Michelle Eskenazi [michelle.eskenazi01@post.runi.ac.il](mailto:michelle.eskenazi01@post.runi.ac.il)

---

<b>Course No.:</b>	<b>Course Type :</b>	<b>Weekly Hours :</b>	<b>Credit:</b>
2512	Lecture	4	2

<b>Course Requirements :</b>	<b>Group Code :</b>	<b>Language:</b>
Final Exam	1202240	English



### Course Description

The objective of this course is to understand the basic principles of Finance. Most of the topics in this course are relevant to day-to-day life as well as for financial managers. Among other things, this course will help you make better decisions on your own financial matters, understand the basic principles of how corporations make financial decisions, familiarize you with how capital markets work, and give you a good foundation for the more advanced courses in finance.



### Course Goals

Financial decision-making often involves risk and uncertainty. We will start this class developing the necessary insight and techniques for financial decision making under

uncertainty. To this end, we will discuss relevant measures of risk and use these measures to develop a workable theory that relates different levels of risk to different levels of expected return on financial and physical assets. We will then integrate the knowledge of dealing with cash flow that come in at different points of time and with different degrees of risk to devise capital budgeting techniques in the presence of risk. In the last part of the course we will introduce the choice of firms on how to finance their projects. In particular we will discuss how firms raise capital and how to choose among the different sources of capital. If time permits we will also discuss the interaction between investing and financing.

The course involves extensive use of Excel and analysis of real life examples.

By the end of the course you should be able to:

- a. Understand the different sources of risk that the firm faces and how to measure its risk exposure.
- b. Understand how risk affects the cost of capital of the firm and how to estimate the cost of capital of a risky firm.
- c. Understand optimal investment strategies based on the CAPM.
- d. Be able to evaluate performance of different investment strategies given their risk exposure.
- e. Understand the different sources of capital, their benefits and their costs.
- f. Understand the optimal design of capital structure and the relation between capital structure and corporate strategy.

---

## Grading

Because of the many time constraints imposed on the GMBA students, I have designed a flexible grading scheme for this course. Under this scheme, students will get points on homework assignments whenever they submit them and the submitted assignment shows enough effort from the student. Students will not lose points from not submitting an assignment.

### Homework assignment grading

Each of the four homework assignments will have 7.5 points. Thus, students can earn any number of points between zero and 30 on the homework assignments. Call  $H$  the number of points that a student earns.

### Exam grading

I will grade the final examinations on a 100-points scale. Suppose you get  $E$  points on your final examination.

### Course grading

Recall that  $H$  is the total points you earned on your homework assignments, and  $E$  is your exam grade. Our grading scheme for your course grade,  $C$ , is given by:

$$C = H + (1 - H/100) \times E$$

Note that if you get 100 on the final, your course grade will be 100. Homework cannot harm you. Otherwise, if you get less than 100 on the final, any point that you get on your homework will result in a higher course grade.

To see how this works, consider the following two hypothetical students:

Student A: got 30 points on homework and 80 on final. Her course grade is 86.

Student B: got 15 points on homework, and 60 on final. Her course grade is 66.

In addition, in marginal cases I will increase the course grade for students who actively contributed to the success of the class during the semester by, for example, asking and/or answering questions in class.

---



Learning Outcomes

---



Teaching Assistant

---



Reading List

Corporate Finance, Jonathan Berk and Peter DeMarzo, Pearson