INGE1311 Finance

[60h] 6 credits

This course is not taught in 2005-2006
Language: French
Level: First cycle

Aims

This course focuses on the contribution of financial theory to understanding the optimum allocation of financial instruments and to managers' decision-making in situations of uncertainty. It also gives students an introduction to derived financial instruments (options, futures) that allow for better risk management.
Within the framework of this course, students study the allocation choices made by an investor averse to risk that maximises expected returns and the decisions taken by businesses within the framework of their investments and financing and treasury management.
Allocation choices will be examined within the theoretical framework proposed by Markowitz and optimal equilibrium solutions will be analysed within the mono-periodic framework of the Capital Asset Pricing Model.
At a company level, decisions can be distinguished in terms of whether they are short or long term. Long-term decisions relate to investment choices, financing choices and dividend policy. Short-term decisions relate to treasury, customer-supplier account and stock management.
Analysis will thus be restricted to maximisation of a company's value and more particularly maximisation of shareholders' wealth. Within this theoretical framework, the financial approach can provide precise answers that make it possible to structure the decision-making process. Limiting the theoretical framework in this way by no means indicates that the final decisions taken by companies should be limited to this single dimension without considering the interests of the numerous parties involved in the life of the company (shareholders, managers, employees, suppliers, etc.)
Similarly, it is recognised today that companies have a social responsibility and that they must take it upon themselves to incorporate an ethical dimension into their decision-making processes. The finance course is focused only on the financial dimension of the decision-making process, although this is by no means meant to suggest that companies are controlled by this single dimension.
The analysis of corporate financing decisions requires an understanding of price regulating mechanisms in a financial market and more particularly the relation that exists in the market between expected profit and risk taken.
In the final part of the course, to meet its general objective of giving students a "general knowledge" of finance, they are also introduced to models that do not fit into the traditional approach.