



School of Economics and Management

## **BUSN86, Macrofinancial Risk Management, 7.5 credits**

*Macrofinancial Risk Management, 7,5 högskolepoäng*

**Second Cycle / Avancerad nivå**

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### **Details of approval**

The syllabus was approved by Academic Director of Studies at Department of Business Administration on 2016-05-03 to be valid from 2016-05-03, autumn semester 2016.

### **General Information**

The course BUSN86 is a course in Business Administration at the advanced level.

*Language of instruction:* English

The course is offered in English. Students must therefore be able to communicate in English both orally and in writing.

*Main field of studies*

Business Administration

*Depth of study relative to the degree requirements*

A1N, Second cycle, has only first-cycle course/s as entry requirements

### **Learning outcomes**

A passing grade on the course will be awarded to students who:

#### **Knowledge and understanding**

- Have demonstrated knowledge of analysis and measurement of macroeconomic risk;
- Have demonstrated knowledge of analysis, measurement, and management of corporate exposure to macroeconomic risk;

#### **Competence and skills**

- Have demonstrated ability to use theories learnt and their independent judgment to analyze and measure macroeconomic risk;
- Have demonstrated ability to use theories learnt and their independent judgment to

This is a translation of the course  
syllabus approved in Swedish

analyze, measure, and manage corporate exposure to macroeconomic risk;

- Can present their analysis of macroeconomic risk and of corporate risk exposure and management, clearly and unambiguously, to specialist and non-specialist audiences;
- Have demonstrated ability to identify problems and situations where the theories learnt are applicable.

## Course content

The course deals with the importance of analysis, measurement, and management of macroeconomic risk to corporate performance. Risk is essential to corporate strategy; every strategic decision will give rise to exposure to risk. Some of these risks are desirable, since strategic risk taking in the market place is the foundation of value creation. In the process, firms also become exposed to macroeconomic risk, such as unpredictable movements in exchange rates, interest rates, and commodity prices, that can affect not only a firm's market value, but also whether the firm will survive or not. Exposure to macroeconomic risk is seldom a source of value creation, and the ability to analyze and manage macroeconomic risk can be a source of competitive advantage. In particular, firms that manage risks well are better able to take advantage of strategic risk taking. Derivatives are the instrument of choice to manage macroeconomic risks, and it is therefore critical for managers to understand how derivatives can be used to manage risks.

The first part of the course combines contingent claims analysis and modern international macroeconomics to measure and analyze risk within an economy. Uncertainty in the values of assets and contingent liabilities of sectors of any economy and uncertainty in interest rates, exchange rates, and other variables form the basis for a conceptual framework for risk analysis. The use of structural credit risk models and contingent claims analysis allows quantification of the risk sensitivity of a country or sector to domestic and external shocks, modeling non-linear risk transmission between the sectors of the economy and abroad, and evaluation of financial institution risk and financial system stability.

The second part of the course provides students with tools to measure and deal with the firm's exposure to macroeconomic risk. Issues discussed include measurement of risk and risk exposure and rules for selecting an overall strategy to deal with risk. This part of the course also provides students with tools to manage the firm's exposure to macroeconomic risk. The focus is on risk management using forwards, futures, and options.

## Course design

The course is conducted in the form of lectures and lab sessions. Assigned readings and materials for lab sessions are integral parts of the teaching and learning activities.

## Assessment

The examination consists of assignments and a written exam covering all teaching and learning activities.

*Subcourses that are part of this course can be found in an appendix at the end of this document.*

## Grades

Marking scale: Fail, E, D, C, B, A.

**Grade** (Definition) Points or % out of maximum points. Characteristic

**A** (Excellent) 85-100 points. A distinguished result that is excellent with regard to theoretical depth, practical relevance, analytical ability and independent thought.

**B** (Very good) 75-84 points. A very good result with regard to theoretical depth, practical relevance, analytical ability and independent thought.

**C** (Good) 65-74 points. The result is of a good standard with regard to theoretical depth, practical relevance, analytical ability and independent thought and lives up to expectations.

**D** (Satisfactory) 55-64 points. The result is of a satisfactory standard with regard to theoretical depth, practical relevance, analytical ability and independent thought.

**E** (Sufficient) 50-54 points. The result satisfies the minimum requirements with regard to theoretical depth, practical relevance, analytical ability and independent thought, but not more.

**F** (U) (Fail) 0-49 points. The result does not meet the minimum requirements with regard to theoretical depth, practical relevance, analytical ability and independent thought.

Some occasional examination elements of the course may have the grading scale pass (D) / fail U(F).

*Plagiarism is considered to be a very serious academic offence. The University will take disciplinary actions against any kind of attempted malpractice in examinations and assessments. The penalty that may be imposed for this, and other improper practices in examinations or assessments, includes suspension from the University for a specific period of time.*

## Entry requirements

Students admitted to a master program where this course is either a compulsory or elective part are qualified for the course. For other students, at least 60 UCP or ECTS-cr in Business Administration is required. These must include a course in basic Business Administration (e.g. FEKA90 Business Administration: Introductory course in Business Administration).

## Further information

The course BUSN86 cannot be combined with BUSM71 in a degree.

In case of closure of the course: Within three semesters after the course closure there will be offered three additional occasions for examination of respective examination part of the course, for students with no successful result. Note that after this you can get a certificate only regarding completed examination parts.

## Subcourses in BUSN86, Macrofinancial Risk Management

Applies from V15

- 1111 Written exam, 4,5 hp  
Grading scale: Fail, E, D, C, B, A
- 1112 PM, 3,0 hp  
Grading scale: Fail, E, D, C, B, A

Applies from H11

- 1101 Written Exam, 7,5 hp  
Grading scale: Fail, E, D, C, B, A
- 1102 PM 1, 0,0 hp  
Grading scale: Fail, E, D, C, B, A
- 1103 PM 2, 0,0 hp  
Grading scale: Fail, E, D, C, B, A