

COURSE DESCRIPTION CARD

NOTE: If the course includes lectures and classes, the Course Description Card applies to both types of instruction.

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| <p>1. Course title</p> <p>Zarządzanie ryzykiem finansowym Financial Risk Management</p> | <p>2. Course code:</p> <p>Number of ECTS credits: 4 Course completion mode: E Course commenced / Year 2023/24</p> |
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3. Major: Finance and Accounting for Business

4. Department of major coordinator: Department of Banking and Financial Markets

5. Name of course instructor:
Lecture: dr Maciej Baranowski.
Classes: DNA
Lab classes: DNA.
Examiner: dr Maciej Baranowski.

6. Department of course instructor:
Department of Public Finance

7. Number of contact hours with students:

| Type of instruction | Full-time study | Part-time study |
|--------------------------|-----------------|-----------------|
| lectures | 30 | 18 |
| classes | - | - |
| foreign language classes | - | - |
| lab classes | - | - |
| seminars | - | - |
| e-learning | - | - |
| other | - | - |
| Total hours | 30 | 18 |
| examination (hours) | 2 | 2 |

8. Course timeframe - no. of semesters: 1.

Course commencement / Year 2

Course commencement / Semester 4

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| <p>9. Level of tertiary education: Master</p> | <p>10. Course status</p> <p><input checked="" type="checkbox"/> Compulsory for the major <input type="checkbox"/> Compulsory for the specialization <input type="checkbox"/> Elective</p> |
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11. Course prerequisites
Compulsory: DNA
Recommended: DNA

13. The Financial Risk Management Course provides a deeper understanding of selected aspects in financial management of a contemporary company from the perspective of the rapidly changing economic environment in the global economy. This module aims to:

- equip the student with a detailed knowledge of using derivatives for selected hedging transactions;
- implement new financial instruments, e.g. forward contracts, futures, options and swaps, in the process of financial management;
- develop management skills in making use of different concepts and methods for reducing financial risk in the short and long horizons.

13. Teaching and learning methods:

A. Direct student-instructor contact:

| No. | Teaching methods | Description | Number of hours | |
|-------|-----------------------------|--|-----------------|-----------------|
| | | | Full-time study | Part-time study |
| 1. | Lectures using case studies | The lecturer presents theoretical and practical issues, which are necessary for solving and analysing case studies. Students through case studies have the opportunity to gain and develop skills for using selected derivatives in the process of enterprise financial risk management. | 30 | 18 |
| Total | | | AS: 30 | AN: 18 |

B. Self-study:

| No. | Learning methods | Description | Number of hours | |
|-------|---------------------------|---|-----------------|-----------------|
| | | | Full-time study | Part-time study |
| 1. | Case studies | Analyzing case studies and the observation of information from media sources are the main process of improving skills for management of corporate finance in selected aspects (currency risk, interest rate risk). | 50 | 50 |
| 3. | Analysis of lecture notes | Students analyze case studies and solve examples with using concepts and methods of financial risk reducing, i.e. currency risk and interest rate risk, based on lectures. Self-study based on literature in financial risk management may support analysis of lecture notes. | 20 | 32 |
| Total | | | BS: 70 | BN: 82 |

Total AS+BS = 100
 Examination (E) = 2
 Total AS+BS+E= 102

Total AN+BN = 100
 Examination (E) = 2
 Total AN+BN+E = 102

14. Key words: currency risk, interest rate risk, hedging, derivatives, options, futures.

15. Course content:

1. An Introduction to Financial Risk Management.

Uncertainty in the Economic Environment of a Company. Interest- Rate Volatility and Changes in Foreign Exchange Rates Resulting in Fluctuations of Profits and the Value of Assets and Liabilities. Ability of Derivatives to Reducing Financial Risk Using New Financial Instruments: Forward Contracts, Futures, Options and Swaps. Basic Concepts and Methods for Reducing Financial Risk with Derivatives.

2. The Riskiness of Earnings and Returns Associated with Changes in Foreign Exchange Rates.

2.1. Hedging Foreign Exchange Risk with Currency Options. Case Study I: the Foreign Exchange Risk Exposure of an Exporter in the Short Term. Conducting the Hedge with Put Options. Case Study II: the Foreign Exchange Risk Exposure of an Importer in the Short Term. Conducting the Hedge with Call Options.

2.2. Hedging Foreign Exchange Risk with Financial Futures Contracts.

Case Study III: the Foreign Exchange Risk Exposure of an Exporter in the Short Term. Conducting the Hedge with the Short Position. Case Study IV: the Foreign Exchange Risk Exposure of an Importer in the Short Term. Conducting the Hedge with the Long Position.

3. Exposure to Interest- Rate Risk in the Short Horizons.

3.1. Hedging Interest- Rate Risk with Forward Rate Agreements (FRAs) and Forward- Forward Transactions (TFFs). Case Study V: Preventing the Cost of Funds for a Company from Rising Interest Rates. Case Study VI: Protecting the Income of Company's Financial Assets against the Decline in Interest Rates.

3.2. Hedging with Interest- Rate Futures Contracts. Organization of Trading in Financial Futures Markets. Case Study VII: Protecting a Commercial Loan with the Variable- Interest Rate against Rising Interest Rates. Case Study VIII: Preventing Financial Investments from Falling Interest Rates.

16. Course learning outcomes as related to the learning outcomes of the major and methods for assessing student attainment

| Intended learning outcomes of the major / Symbols | Intended learning outcomes of the course | Methods for assessing student learning outcomes | Documentation |
|---|---|---|---|
| <u>Knowledge</u> | | | |
| FAB2_W02# | Possess the knowledge and understand complex problems and development trends concerning: 1. the major external sources of financial risk in the global economic environment and their influence on the earnings performance in business and reducing financial risk with derivatives; 2. the mechanism of changes in foreign exchange rates and interest rates resulting in fluctuations of earnings and the value of assets and liabilities; 3. derivatives and methods of hedging selected types of financial risk in enterprises. | 1. The written examination. 2. The use of knowledge in the preparation of the master thesis. | 1. A list of questions and examination case studies. 2. Exam papers. |
| <u>Skills</u> | | | |
| FAB2_U01# | 1. Can use the already- acquired, deepened knowledge for identifying and critical analysing of enterprise's financial risk resulting from changes in economic factors in the global economic environment; 2. Can identify and solve complex and non-typical problems concerning financial risk hedging in the enterprise and implement derivatives to mitigate those risks. | 1. The written examination. 2. The use of knowledge in the preparation of the master thesis. | 1. A list of questions and examination case studies. 2. Exam papers. |
| FAB2_U04# | Be able to use the specialized and professional terminology in the English language associated with the derivatives market and risk hedging. | 1. The written examination. 2. The use of knowledge in the preparation of the master thesis. | 1. A list of questions and examination case studies. 2. Exam papers. |

| <u>Social competences</u> | | | |
|---|--|---|---|
| FAB2_K02# | 1. Be able to recognize the professional role of knowledge in solving problems of financial risk hedging in the enterprise, also from international perspective. 2. Can independently and as a member of teams use concepts and methods of reducing financial risk in the enterprise. | 1. The written examination. 2. The use of knowledge in the preparation of the master thesis. | 1. A list of questions and examination case studies. 2. Exam papers. |
| 17. Method for determining the final course grade: | | | |
| No. | Methods for awarding credits and course completion requirements | Description | Percentage of the final course grade* |
| 1. | Examination | Written close book examination. | 100 % |
| <p>* If students are required to obtain both a class grade and an exam grade, the class grade constitutes at least 30% of the final course grade.</p> | | | |
| 18. Reading list | | | |
| <p>Mandatory readings: (1) Eales B., Financial Engineering, Macmillan Press, Houndmills 2000.</p> <p>Suggested readings: (2) Kolb R., Overdahl J., Futures, Options, and Swaps, Blackwell Publishing 2007. (3) Steiner R., Mastering Financial Calculations. A Step-by-Step Guide to the Mathematics of Financial Market Instruments, Financial Times Management 1998.</p> | | | |
| 19. Language of instruction: | | | |
| English | | | |
| 20. Course instructors' recommendations: | | | |
| Web applications skills document storage (Google Drive), word processing and spreadsheets (Google Docs), Google Classroom. | | | |