



Faculty of Arts and Social Sciences  
Economics

Syllabus

### **Course Approval**

The syllabus was approved by the Faculty Board of Arts and Social Sciences on 20 August 2014, and is valid from the Spring semester of 2015 at Karlstad University.

**Course Code:** NEGC49

**Financial Risk Management, 7.5 ECTS Credits**

**(Riskhantering i finansiella företag, 7.5 Swedish credit points)**

**Degree Level:** Bachelor

**Progressive Specialisation:** G2F (First cycle, has at least 60 credits in first-cycle course/s as entry requirements)

### **Language of Instruction**

Swedish and English

### **Prerequisites**

Economics 60 ECTS cr including NEGC18 Portfolio Analysis 7.5 ECTS cr and the module Econometry 6 ECTS cr (of NEGB01 alt. NEGB22 Econometry 7.5 ECTS cr) and Statistics 15 ECTS cr., or equivalent. Upper Secondary English 6, English B, or equivalent.

### **Major Field of Study**

NAA (Economics)

### **Learning Outcomes**

Upon completion of the course, students should be able to:

- explain why financial crises arise and why government investment guarantee must be combined with strong government regulation and inspection of banks,
- measure portfolio risk exposure,
- understand the principles of portfolio immunisation and apply them to practical cases,
- calculate the exposure of banks and other financial institutions to interest risks by means of duration and convexity measures and use these to immunise portfolios with interest-bearing financial instruments,
- apply methods for assessing expected credit risks in banks and other credit institutions,
- derive bankruptcy risk from the market price on corporate bonds,
- assess models for non-constant risk or time-varying risk by means of econometric methods such as EWMA, ARCH and GARCH,
- demonstrate understanding of the reasons for the international harmonisation of bank regulations in the so called Basel-rules,
- use the Basel-rules to measure banks' risk adjusting capital ratio,
- demonstrate understanding of and ability to apply the principles of Value at Risk calculations as well as performing Back and Stress-testing of VAR-calculations and

### **Content and Form of Instruction**

The course focuses on methods to measure and control financial risks in corporations, banks and insurance companies. The deregulation of capital markets has resulted in increased need for such organisations to develop their internal risk management. At the same time, periods of financial crises have pointed to the need for a new type of state regulation in the form of risk management control methods such as those introduced in the course, for instance, Duration Gap Analysis, Value at Risk and Stress Testing.

#### Reading List

See separate document.

#### Examination

Assessment is based on a written final exam, individual hand-in assignments and an individual essay presented and discussed at a mandatory seminar.

#### Grades

One of the grades Distinction (VG), Pass (G), or Fail (U) is awarded in the examination of the course.

#### Quality Assurance

Follow-up relating to learning conditions and goal-fulfilment takes place both during and upon completion of the course in order to ensure continuous improvement. Course assessment is based on student views and experiences as reported in written course evaluations and/or group discussions. Students will be informed of the result of the evaluation and of the measures to be taken.

#### Course Certificate

A course certificate will be provided upon request.

#### Additional Information

Students who enrolled before 1 July 2007 will complete their studies in accordance with the requirements of the earlier admission. Upon completion students may request degree and course certificates to be issued under the current ordinance if they meet its requirements.

The local regulations for studies at the Bachelor's and Master's levels at Karlstad University stipulate the obligations and rights of students and staff.

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