

TIØ4146 - Finance for technology students

Shahariar Kabir Bhuiyan

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1 Introduction

1.1 Finance as a science

Finance - Studies how people choose between uncertain values - Part of economics, that investigates how people allocate resources that has alternative uses, among competitive goals. - Studies problem for alternatives that involve money, risk and time. Problems can refer to businesses, individuals, governments and other organizations.

Our focus is choices made by businesses in financial market. Problems like - Should company X invest in project A? - What is the best way to finance project A? - How can we price or eliminate certain risks?

Finance as a scientific discipline seeks to answer such question in a way that generates knowledge of general validity. Modern finance draws heavily on mathematics, statistics and other disciplines.

Finance is also a toolbox for solving decision problems in practice (managerial finance).

Main tools in finance are the mathematical formulation (modelling) of theories and their empirical testing.

2 Fundamental concepts and techniques

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