

COURSE SYLLABUS

1. COURSE DESCRIPTION

Degree:	Finanzas y Contabilidad (English teaching)
Double Degree:	
Course:	FINANCIAL MANAGEMENT I (Dirección Financiera I – English teaching)
Module:	Accounting and Finance
Department:	Financial Economics and Accounting
Term:	Second term
Total Credits:	6
Year:	2nd
Type of Course:	Basic
Course Language:	English

Teaching model:	B1	
a. General/background:		60%
b. Theory-into-practice/developmental knowledge-building		40%
c. Guided Academic Activities:		



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2. COURSE COORDINATOR

Course coordinator: Emma Berenguer Cárceles

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3. ACADEMIC CONTEXT

3.1. Course Description and Objectives

This course is an introduction to financial management. The course offers an overview to capital budgeting problems, portfolio theory, asset pricing and the relationship between risk and return.

The objective of the course is to provide the student with the conceptual framework necessary to understand the problems facing a financial manager. Readings, class lectures and homework will focus on the basic tools used by financial analysts and decision makers. More advanced topics will be covered in Financial Management II next term.

The course is divided in two parts. The first one is about the creation of value in a firm. We will learn how to compute the value of the bonds and stocks issued by a firm, and how to invest in projects that add value to the firm. In the second part, we study the relationship between risk and return, and its effects on asset pricing and capital budgeting. We also analyze some of the practical problems that a financial manager comes across when making capital budgeting decisions.

3.2. Contribution to the Training Plan

Financial Management I is a basic course offered in English in the second term of the second year of the Degree in Finance and Accounting. This is the first course that the Academic Area of Finance offers in this Degree. It provides the basic tools needed to understand the job of the financial manager in a corporation. There is a continuation course in the following year: Financial Management II.

3.3. Recommendations or Prerequisites

Successful completion of introductory courses in Accounting, Statistics, and Business Administration.

Students are advised to:

- Have a good level of English
- Have at least a basic knowledge of Financial Accounting, Statistics, Economics and Mathematics
- Read financial newspapers

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4. SKILLS

4.1 Degree Skills Developed during this Course

GENERAL SKILLS

Instrumental Skills:

- Analysis and synthesis ability;
- Organization and planning ability;
- Knowledge of the subject-specific computer software;
- Problem solving skills;
- Decision making skills.

Personal Skills:

- Teamwork skills;
- Critical and auto-critical thinking;
- Ability to work under pressure.

Systemic Skills:

- Self-learning skills;
- Ability to adapt to new environments;
- Leadership.

SPECIFIC SKILLS

Being able to realize viability and financial planning studies. Being able to compose an efficient portfolio.

4.2. Module Skills Developed during this Course

MODULE-SPECIFIC SKILLS

- The student should be familiar with the basic financial concepts and be able to put this knowledge into practice.

GENERAL SKILLS

Systemic Skills:

- Self-learning skills;
- Ability to adapt to new environments.

Personal Skills:

- Teamwork skills;
- Minimal critical and auto-critical thinking;
- Ability to work under some pressure.

Instrumental Skills:

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- Analysis and synthesis ability;
- Organization and planning ability;
- Knowledge of the subject-specific computer software;
- Problem solving skills;
- Decision making skills.

Cross-Subject Skills:

- Be aware of the social responsibility implied in economic actions and business activities;

Be familiar with and able to handle computer programmes useful in different fields.

4.3. Course-specific Skills

- Being able to realize viability and financial planning studies. Being able to compose an efficient portfolio;
- Financial decision making skills;
- Ability to put the financial theory into practice;
- Understanding of the common business operations, as well as of the design and analysis of investment and financial strategies;
- Understanding of the common financial operations in business;
- Interpreting and processing stock exchange data;
- Critical attitude to the financial reality.

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5. COURSE CONTENT (COURSE TOPICS)

Topic 1: INTRODUCTION TO FINANCIAL MANAGEMENT (Chapters 1, 2, 3).

- 1.1 The role of the financial manager.
- 1.2 Net present value (NPV)
- 1.3 The opportunity cost of capital.
- 1.4 Valuing long-lived assets: annuities and perpetuities.
- 1.5 Valuing bonds

Topic 2: VALUATION OF COMMON STOCKS (Chapter 4).

- 2.1 The Discounted Cash Flow (DCF) model and the free cash flows.
- 2.2 Valuation of common stocks with the DCF model.
- 2.3 Stock price and earning per share: the PER ratio.

Topic 3: CAPITAL BUDGETING I: An overview of the problem (Chapter 5).

- 3.1 Criteria to make investment decisions.
- 3.2 Net present value.
- 3.3 Payback period.
- 3.4 Internal rate of return (IRR).

Topic 4: MAKING INVESTMENT DECISIONS WITH THE NET PRESENT VALUE RULE: Calculation of cash flows (Chapter 6).

- 4.1 Calculating cash flows.
- 4.2 An introduction to the notion of incremental cash flow: definitions and examples
- 4.3. Inflation Treatment.

Topic 5: RISK AND RETURN (Chapter 7).

- 5.1 Calculating returns and measuring risk.
- 5.2 Historical results.

Topic 6: PORTFOLIO THEORY AND THE CAPITAL ASSET PRICING MODEL (Chapter 8).

- 6.1 Risk and return of a portfolio.
- 6.2 The effect of diversification.
- 6.3 The Markowitz model: The efficient frontier.
- 6.4 Market risk and beta.
- 6.5 The CAPM and its empirical validation.
- 6.6 Alternative asset pricing theories.

Topic 7: PROJECT ANALYSIS (Chapter 10)

- 7.1 The Capital Investment Process
- 7.2 Sensitivity Analysis
- 7.3 Decision Trees.

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6. METHODOLOGY AND RESOURCES

METHODOLOGY:

- General/Background sessions (60%). 18 classes. Throughout these classes, the lecturer will explain and analyze all the basic theoretical concepts of the course.
- Practical/Developmental knowledge-building sessions (40%). 12 classes. In these classes the students will work on the solution for problems and real-life situations based on the theoretical concepts studied in the general/background sessions. There will be a series of follow-up controls of the work realized by the students in these classes. In addition, three computer sessions will be carried out, in which practical questions related to the theory will be solved using Microsoft Excel, providing the opportunity to the students to learn how to apply this software to solve financial problems using real financial databases.

RESOURCES:

- Traditional classrooms;
- Computer classes;
- WebCT.

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7. ASSESSMENT

Students will be graded based on their work throughout the course, both in class and on guided assignments completed during the semester. In general, for assessment purposes, all completed activities will be taken into account. They will be weighted differently in the final assessment depending on how important and difficult they are and how much effort has been put in by the students. More precisely:

Course Call “Convocatoria del curso”

Is based on continuous evaluation

-Continuous evaluation (40%) (on-going assessment): The ability to self-learning and understanding of the subject will be evaluated. The assessment system will consist of developing problems, exams with short answers or multiple-choice. The teacher will explain in detail, at the beginning of the course, the evaluation system chosen.

-Final exam: At the end of the semester, students will sit a written exam worth 60% of the final grade for the course. Theoretical and practice Knowledge will be evaluated.

To pass the course in this call , the following minimum marks are needed:

-. Final exam: 3.5 points out of 10.

The final grade of the course will be calculated as follows: $0.6 \times (\text{Final exam grade}) + 0.40 \times (\text{Continuous evaluation mark: Class exams})$. Students must achieve at least 5 points out of 10 to pass the course.

Retake Call “Convocatoria de Recuperación”

The students that have not passed the subject in the “Course Call” will have the possibility to attend the “Retake Call”.

If the student did not follow the system of continuous evaluation or did not successfully passed the continuous evaluation, in the recovery call the student will be assessed of all contents and skills that appear in the course syllabus, so that he/she can opt for 100% of the grades of this subject.

Even though the student has successfully passed the continuous evaluation, he/she will be entitled to be evaluated over the 100% of the grades of the subject, provided he/she resign explicitly the grades obtained in the continuous evaluation. The student must inform of this circumstance in written form the course coordinator with a minimum time interval of 10 days before the sitting of the exam, so that there is enough time to

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reorganize the evaluation process.

-No reference books or notes whatsoever will be allowed on semester or final exams. Calculators will be permitted. Students should bring photo ID to all exams for identification purposes.

Student mobility:

Those UPO students who are not able to attend seminars due to being abroad under official mobility programs (Socrates-Erasmus, Séneca, Atlanticus...) will have the opportunity to opt to the 100% in the course call due to their exceptional situation. If the case should occur, they should inform to the coordinator of the subject in order to organize the evaluation system.

Note: Title II. Chapter II. Article 12.2 and 14.3 of Normativa de Régimen Académico y de Evaluación del Alumnado (signed in the Consejo de Gobierno of UPO in 18 July 2006): “When doing essays or other homework, plagiarism and the use of material that is not original, included that obtained in the Internet, without having indicated explicitly the source of that information, and if that is the case, without the permission of the author, such act can lead the student to fail the module, in addition to any other academic penalisation brought about by such dishonest behaviour”.

The Director of the Department responsible of that module, once informed by the staff involved, the students affected and any other academic part required by the Direction of the Department, decide over the possibility of opening up a formal expedient of penalisation.



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8. BIBLIOGRAPHY

8.1. GENERAL READING:

COURSE TEXTBOOK:

Brealey, R.A., S.C. Myers, and F. Allen (2014): Principles of Corporate Finance, McGraw-Hill, 11th edition.

8.2. FURTHER READING:

CORPORATE FINANCE: 2nd Edition

Ivo Welch (2013), Prentice-Hall.

<http://book.ivo-welch.info/ed2/toc.html>