

Academic Year: (2019 / 2020)

Review date: 08-05-2020

Department assigned to the subject: Business Administration Department

Coordinating teacher: TRIBO GINE, JOSE ANTONIO

Type: Compulsory ECTS Credits : 6.0

Year : 5 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Financial Economics

OBJECTIVES

This course has as its main objective to present the different financial instruments that can be used to raise capital for a company. Starting from this, we proceed to introduce the concept of cost of capital, which will allow companies to decide the best way to raise capital. A second objective is to understand that the financial instruments used by the company to raise capital, affects the internal equilibrium among the different stakeholders in the firm

To achieve these fundamental objectives, the student must acquire a range of knowledge, skills and attitudes.

With regard to knowledge, the end of the course the student will be able to:

- Understand that a firm is a portfolio of financial assets, which is the mirror image of their real assets.
- Understand that a company is a nexus of contracts between various stakeholders.
- Understand the basic concept of the cost of capital and the approximations that apply to find it.
- Use the concept of arbitrage to value financial assets from financial flows discounted using the discount rate as the cost of capital.
- Understand that a non-typical project valuation of a company is different from the general assessment of the same.
- Be able to extract from the observation of the capital structure of a company, a measure of the overall risk of this.
- Understand that a financial instrument not only serves to raise capital, but it alters the balance of power within the company.
- Understand that you may use financial structure to reduce conflicts of interest between the various stakeholders.
- Use an integrated manner the definition of a financing policy with the policy of compensation to shareholders.
- Be able to extract from the observation of the capital structure of a company, the possibilities for this company to be subject to corporate mergers and acquisitions movements

Concerning the skills these can be classified into two groups one of specific skills and other more generic skills or skills.

As for specific skills, the end of the course students will be able to:

- Understand the concept of valuing a business, which is not only evaluate their actions.
- Be able to discriminate between valuing a company and evaluate a project for a company
- Estimate the cost of capital from the cost of the various financial assets.
- Using comparable to approaches to relevant parameters that assess companies.
- Get a measure of the level of risk that a company watching its financial structure.

DESCRIPTION OF CONTENTS: PROGRAMME

This is a basic introductory course in corporate finance. Basically, we present different elements that are necessary to value companies and how to use financial structure to increase the value of a company taking into account the effect they have on the overall firm's risk. In a complementary manner, we will study how the financial structure can be used as an instrumental element to reduce agency conflicts within the firm, and compensation policies to complement various stakeholders (mainly shareholders)

The program is divided in five main parts:

FIRST PART: Description of the main financial instruments. Pros and cons of each financial instrument

SECOND PART: A firm's financial structure. The Modigliani-Miller framework

THIRD PART: Firm's weighted average cost of capital.

FOURTH PART: Firm valuation and Project valuation. Differentiation between standard and non-standard projects.

FIFTH PART: Shareholders' compensation and its relationship with financial structure.

LEARNING ACTIVITIES AND METHODOLOGY

Teaching methodology will include:

- (1) Lectures, where the skills that students should acquire will be presented. Most interested
- (2) Discussion of real cases extracted from recent national and international business press
- (3) Resolution of exercises by the student that will serve to self-assess their knowledge and acquire the necessary skills.
- (4) Sharing of the answers to the exercises, some of which will be in the group. This allows consolidate knowledge and develop the ability to analyze and communicate relevant information to solve problems. Besides sharing promote the exchange of views critical both between teacher and students and among students.

ASSESSMENT SYSTEM

The evaluation (continuous) is based on the following criteria:

Resolution of Cases and exercises: 20%.

Midterm exams: 20%. In the knowledge acquired by students will be evaluated.

Final exam: 60%. In the knowledge acquired by students will be evaluated.

TO APPLY THE ABOVE PERCENTAGES, THE MINIMUM GRADE ON FINAL EXAM MUST BE 4.00 OVER 10.00

% end-of-term-examination:	60
% of continuous assessment (assignments, laboratory, practicals...):	40

BASIC BIBLIOGRAPHY

- Brealey, R. A. and S. C. Myers Financial Management, McGraw Hill, 1998