

Academic Year: ( 2024 / 2025 )

Review date: 07-01-2025

Department assigned to the subject: Business Administration Department

Coordinating teacher: SERRANO JIMENEZ, PEDRO JOSE

Type: Compulsory ECTS Credits : 6.0

Year : 2 Semester : 2

**REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)**

- Mathematics for Economics I
- Mathematics for Economics II

**OBJECTIVES**

At the end of the course students should be able to:

- Compute present and future values of cash-flow streams to compute the net present values of different real and financial investments.
- Have a basic knowledge of the functioning of financial markets and of the way in which investment decisions are made.
- Understand the risk-return tradeoff. Understand how diversification affects risk.
- Have a clear understanding of the difference between systematic and diversifiable risk and know how to measure each.
- Understand how interest rates are set and the principles of valuation of fixed income securities.
- Know the basic types of derivatives and understand why and how they are used in risk management.

**DESCRIPTION OF CONTENTS: PROGRAMME**

Topic 1 Introduction: Financial Markets

Topic 2 The necessary tools: Financial Mathematics

Topic 3 The value of an investment: Introduction to NPV

Topic 4 Fixed Income Markets

Topic 5 Characterisation of Financial Assets and Portfolios: Risk and return

Topic 6 Investment management: Portfolio Theory

Topic 7 The capital asset pricing model (CAPM)

Topic 8 Derivative products

**LEARNING ACTIVITIES AND METHODOLOGY**

Learning activities comprise:

- 1.- Theory - Sessions. The instructor of the course teach the basic concepts of the topic. Classnotes are provided to the students.
- 2.- Solution to exercises. The student must solve the test to assess his/her degree of knowledge of the different concepts.
- 3.- Exercises - Sessions. The instructor of these sessions solves the exercise sets provided to the students.

**ASSESSMENT SYSTEM**

**% end-of-term-examination:** 60

**% of continuous assessment (assignments, laboratory, practicals...):** 40

Grading for Regular Term

- Continuous Assessment (40%): Best grade out of two midterm exams during the course.
- Final Exam (60%):

Minimum grade required in the final exam: 4.0 out of 10. Otherwise, the final grade will be the grade of

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

the final exam.

Grading for Resit (Retake) Term

The final grade will be the best of the following two options:

- Option 1: Extraordinary exam (60%) + Continuous assessment (40%).
- Option 2: Extraordinary exam (100%).

Minimum grade required in the extraordinary exam: 4.0 out of 10. Otherwise, the final grade will be the grade of the extraordinary exam.

Important Information for Exchange Students:

The date of the final exam is official and set by the University. Under no circumstances will this date be modified to accommodate special circumstances of the student (flight schedules, summer internships, etc.).

#### BASIC BIBLIOGRAPHY

- Brealey, Myers and Allen Principles of Corporate Finance 12/e, McGraw-Hill,, 2017
- Zvi Bodie, Alex Kane, and Alan J. Marcus Essentials of Investments, 10th Edition, McGraw-Hill Irwin, 2017

#### ADDITIONAL BIBLIOGRAPHY

- Mark Grinblatt and Sheridan Titman Financial Markets and Corporate Strategy, McGraw-Hill, 2011
- Ross, Westerfield and Jordan Essentials of Corporate Finance, 8/e, McGraw-Hill-Irwin, 2013