

## COURSE SYLLABUS

Academic year 2012-2013

### 1. COURSE DESCRIPTION

<b>Degree:</b>	<b>Administración y Dirección de Empresas</b> (English teaching)
<b>Double Degree:</b>	<b>Derecho y Administración y Dirección de Empresas</b> (English teaching)
<b>Course:</b>	<b>FINANCIAL MANAGEMENT I</b> (Dirección Financiera I – English teaching)
<b>Module:</b>	<b>Accounting and Finance</b>
<b>Department:</b>	<b>Financial Economics and Accounting</b>
<b>Academic Year:</b>	<b>2012-2013</b>
<b>Term:</b>	<b>Second term</b>
<b>Total Credits:</b>	<b>6</b>
<b>Year:</b>	<b>3<sup>rd</sup></b>
<b>Type of Course:</b>	<b>Obligatory</b>
<b>Course Language:</b>	<b>English</b>

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

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### 2. TEACHING TEAM INFORMATION

#### 2.1. Course coordinator Ignacio Moreno Gabaldón

#### 2.2. Teachers

<b>Name:</b>	Ignacio Moreno Gabaldón
<b>Faculty:</b>	Faculty of Business Administration
<b>Department:</b>	Financial Economics and Accounting
<b>Academic Area:</b>	Financial Economics
<b>Category:</b>	Profesor Contratado Doctor
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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 obligatory course in the second term of the third year of the Degree in Business Administration and Management (and also of the third year of the Double Degree in Business Administration and Management, and Law). This is the first course that the Academic Area of Finance offers in both degrees. 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.

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### Instrumental Skills:

- 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 and 4).

- 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 5).

- 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 6).

- 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: CAPITAL BUDGETING II: Calculation of cash flows (Chapter 7).

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

Topic 5: RISK AND RETURN (Chapter 8).

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

Topic 6: PORTFOLIO THEORY AND THE CAPITAL ASSET PRICING MODEL (Chapter 9).

- 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.

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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, the following specific tests will be carried out:

- Final exam: At the end of the semester, students will sit a written exam worth 60% of the final grade for the course. Theoretical knowledge will be evaluated through multiple choice questions.
- Continuous evaluation (ongoing assessment): Different exams will be carried out individually during the semester and will be worth a total of 25% towards the final grade for the course. The remaining 15% of the final grade will consist of computer room sessions in which practical exercises related to the theory will be solved by the students individually. The grade obtained in the continuous evaluation will be valid for all official exam periods in a given year.

To pass the course, the following minimum marks are needed:

- . Final exam: 3.5 points out of 10.
- . Continuous evaluation (Class exams): 3.5 out of 10.

The final grade of the course —on the condition that the minimums have been met— will be calculated as follows:  $0.6 \times (\text{Final exam grade}) + 0.25 \times (\text{Continuous evaluation mark: Class exams}) + 0.15 \times (\text{Computer room sessions})$ . Students must achieve at least 5 points out of 10 to pass the course.

Students will be able to sit two exam sessions per year to pass the course. These shall follow the evaluation criteria previously explained. The student's grade will be kept in the continuous evaluation for both exam sessions.

Please note that:

- Those students who have not achieved the minimum punctuation in the class exams throughout the term will have the opportunity to retake up to a maximum of 25% in an additional practical exam. This exam will be also available for those students who want to raise their marks and the grade achieved will be definitive.
- Computer sessions cannot be retaken.
- No reference books or notes whatsoever will be allowed on semester or final





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exams. Calculators will be permitted. Students should bring photo ID to all exams for identification purposes.

- The minimum punctuation requirement is applicable to any exam of this course.

### 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 an additional exam, or work that will be clearly defined, in order to obtain the part of the grade corresponding to the continuous evaluation. Students in this situation must inform the responsible lecturers before the 30<sup>th</sup> of April, 2012. Any report after this deadline must be supported by the academic coordinator of the mobility contract.

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 (2010): Principles of Corporate Finance, McGraw-Hill, 10th edition.

#### **8.2. FURTHER READING:**

Hillier, D. Ross, S.A., R.W. Westerfield, and B.D. Jordan (2010): Corporate Finance, McGraw-Hill, First European Edition.