

COURSE SYLLABUS

1. COURSE DESCRIPTION

Degree:	Administración y Dirección de Empresas (English teaching)
Double Degree:	Derecho y Administración y Dirección de Empresas (English teaching)
Course:	FINANCIAL MANAGEMENT II (Dirección Financiera II – English group)
Module:	Accounting and Finance
Department:	Financial Economics and Accounting
Term:	First term
Total Credits:	6
Year:	4º
Type of Course:	Obligatory
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: Laura Baselga Pascual

COURSE SYLLABUS

3. ACADEMIC CONTEXT

3.1. Course Description and Objectives

This course is the continuation of Financial Management I. The course offers an overview of financing decisions, dividend policy and the optimal capital structure of a firm.

The objective of the course is to provide the student with the appropriated framework to analyse some relatively complex problems that a financial manager needs to address in large corporations. Readings, class lectures and homework will take the student to the type of situations that a financial manager will face in practice.

The course is divided in two parts. The first one is about financing decisions in the firm and market efficiency. We define the concept of efficient markets, and we study how corporations issue securities in the capital market to obtain the funds they need. In the second part, we analyze the dividend policy of corporations, and we study whether the capital structure of the firm can increase its value. We finally analyze the interactions of investment and financing decisions.

3.2. Contribution to the Training Plan

Financial Management II is a obligatory course in the first term of the fourth year of the Degree in Business Administration and Management and of the Double Degree in Business Administration and Management, and Law. This is the second course that the Academic Area of Finance offers in both degrees. It provides the tools needed to develop the job of the financial manager in large corporations.

3.3. Recommendations or Prerequisites

Successful completion of Financial Management I.

Students are advised to:

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

COURSE SYLLABUS

4. SKILLS

4.1 Degree Skills Developed during this Course

GENERAL SKILLS

Instrumental Skills:

- Analysis and synthesis ability;
- Organization and planning ability;
- Problem solving skills;
- Decision making skills.

Personal Skills:

- Critical and auto-critical thinking.

Systemic Skills:

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

SPECIFIC SKILLS

- Understand how financing decisions are made. Be familiar with the dividend and debt ratio politics.

4.2. Module Skills Developed during this Course

MODULE-SPECIFIC SKILLS

Understand how financing decisions are made. Be familiar with the dividend and debt ratio politics.

GENERAL SKILLS

Systemic Skills:

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

Personal Skills:

- Critical and auto-critical thinking.

Instrumental Skills:

- Analysis and synthesis ability;
- Organization and planning ability;
- Problem solving skills;
- Decision making skills.



COURSE SYLLABUS

Cross-Subject Skills:

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

4.3. Course-specific Skills

- Be familiar with and understand the financing decision making process in a business, and its importance. Know the existing alternatives.

COURSE SYLLABUS

5. COURSE CONTENT (COURSE TOPICS)

Topic 1: CORPORATE FINANCING AND MARKET EFFICIENCY (Chapter 14).

- 1.1 Definition of efficient market.
- 1.2 Market anomalies.
- 1.3 The six lessons of market efficiency.

Topic 2: AN OVERVIEW OF CORPORATE FINANCING (Chapter 15).

- 2.1 Historical information.
- 2.2 Common stock.
- 2.3 Preferred stock.
- 2.4 Debt.
- 2.5 Derivatives.

Topic 3: HOW CORPORATIONS ISSUE SECURITIES (Chapter 16).

- 3.1 Venture capital
- 3.2 The initial public offering (IPO).
- 3.3 General cash offers by public companies.
- 3.4 Private placements and public issues.
- 3.5 The privileged subscription or rights issue.

Topic 4: DIVIDEND POLICY (Chapter 17).

- 4.1 Different ways of paying dividends: Share repurchase.
- 4.2 Lintner's dividend model.
- 4.3 The information in dividends and share repurchase.
- 4.4 The controversy about dividend policy.
 - 4.4.1 Dividend policy in perfect capital markets.
 - 4.4.2 Stock repurchase and valuation.
 - 4.4.3 Dividends and the Modigliani-Miller model.
 - 4.4.4 Empirical evidence on dividends and taxes.

Topic 5: DEBT POLICY (Chapters 18 and 19).

- 5.1 The effect of financial leverage on the value of the firm.
 - 5.1.1 Proposition I of Modigliani-Miller.
- 5.2 The effect of leverage on stock returns.
 - 5.2.1 Proposition II of Modigliani-Miller.
- 5.3 The traditional view of debt policy.
- 5.4 Interest rate payments and corporate taxes.
- 5.5 Modigliani-Miller and taxes.
- 5.6 Costs of financial distress.
- 5.7 The pecking order of financing choices.



COURSE SYLLABUS

Topic 6: THE COST OF CAPITAL FOR INVESTMENT PROJECTS (Chapter 9)

6.1 Risk adjusted discount rates.

6.2 Capital structure and the cost of capital: the Weighted Average Cost of Capital (WACC).

Topic 7: FINANCING AND VALUATION (Chapter 20).

6.1 The after-tax weighted-average cost of capital (WACC): Review of the assumptions.

6.2. Valuing companies: WACC versus the flow-to-equity method.

6.3 Adjusting WACC when debt ratios or business risks change.

6.4 Adjusted present value (APV).

COURSE SYLLABUS

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.

RESOURCES:

- Classrooms;
- WebCT.

COURSE SYLLABUS

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 30% towards the final grade for the course. The remaining 10% of the final grade will consist of different guided activities that will be carried out individually or in learning teams. In the latter case, students will be assessed on their individual work within these learning teams. 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: $0.6 \times (\text{Exam grade}) + 0.30 \times (\text{Continuous evaluation mark: class exams}) + 0.10 \times (\text{Guided activities})$. 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 puntuacion in the class exams throughout the term will have the opportunity to retake up to a maximum of 30% 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.

COURSE SYLLABUS

-Those students who wish their grades to be based solely by the final exam (100%) will have to announce it to the course instructor in 10 days in advance from the exam, and therefore renounce to the points achieved for attendance and participation.

-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.

-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 at the beginning of the academic year, before the 30th of November.

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.



COURSE SYLLABUS

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.

Malkiel, B.G. (2007) A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing. W. W. Norton & Company; 9th Edition edition.