

COURSE SYLLABUS

1. COURSE DESCRIPTION

Degree:	Administración y Dirección de Empresas (English teaching)
Double Degree:	Administración y Dirección de Empresas y Derecho (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:	4th
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

Name:	Ignacio Moreno Gabaldón
Faculty:	Faculty of Business Administration
Department:	Financial Economics and Accounting
Academic Area:	Financial Economics
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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 offered in English in the first term of the fourth year of the Degree in Bussiness Administration. 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.

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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;
- 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.

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Instrumental Skills:

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

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.

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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.



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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).

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6. METHODOLOGY AND RESOURCES

METHODOLOGY:

- General/Background sessions (60%). 17 classes. Throughout these classes, the lecturer will explain and analyze all the basic theoretical concepts of the course.
- Practical/Developmental knowledge-building sessions (40%). 11 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.

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7. ASSESSMENT

Course Call “Convocatoria de curso”

- Final exam: At the end of the semester, students will sit a written exam worth 60% of the final grade for the course covering all topics.
- Continuous evaluation (ongoing assessment): Different exams will be taken individually during the semester and will be worth a total of 40% of the final grade for the course. 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: $0.6 \times (\text{Final exam grade}) + 0.40 \times (\text{Continuous evaluation mark: class exams})$. Students must achieve at least 5 points (out of 10) to pass the course.

Retake call "Convocatoria de recuperación"

- Final exam (covering all topics): 60% of the final grade for the course.
- Those students who have not achieved the minimum mark in the continuous evaluation throughout the term will have the opportunity to retake this part in an additional exam covering all topics.

This exam will be also available for those students who want to raise their continuous evaluation marks. In order to sit the exam, the students must expressly give up the continuous evaluation grade. The grade achieved will be definitive.

- No reference books or notes whatsoever will be allowed in semester or final exams. Calculators will be allowed. Students should bring photo ID to all exams for identification purposes.
- The minimum mark requirement is applicable to any exam of this course.

Those students in compliance with the exceptional requirements settled by Article 7.3 of the above mentioned "Normativa de evaluación de los estudiantes de grado de la Universidad Pablo de Olavide", will be able to be assessed in the First Course Call under the same criteria settled for the 2nd Course Call. This exception will have to be acknowledged by the Instructor before the ending of the Course sessions.



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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.