

**COURSE DATA****Data Subject**

Code	35805
Name	Investment theory
Cycle	Grade
ECTS Credits	6.0
Academic year	2019 - 2020

Study (s)

Degree	Center	Acad. year	Period
1313 - Degree in Business Management and Administration	Faculty of Economics	2	Second term
1330 - Degree in Business Management and Administration (Ontinyent)	Faculty of Economics	2	Second term
1921 - D.D. in Business Management Administration-Law	Doubles Studies Faculty of Law - Faculty of Economics	3	Second term
1926 - D.D. in Tourism-Business Management Administration	Faculty of Economics	3	Second term

Subject-matter

Degree	Subject-matter	Character
1313 - Degree in Business Management and Administration	8 - Principles of financial management	Obligatory
1330 - Degree in Business Management and Administration (Ontinyent)	8 - Principios de Dirección Financiera	Obligatory
1921 - D.D. in Business Management Administration-Law	4 - Year 3 compulsory subjects	Obligatory
1926 - D.D. in Tourism-Business Management Administration	4 - Asignaturas de tercer curso	Obligatory

Coordination

Name	Department
GRAU GRAU, ALFREDO JUAN	172 - Business Finance



SUMMARY

The course Investment Theory is taught in the second year, second semester, of the Degree in Business Administration. It relates to the subject Principles of Financial Management and it provides students with the skills any chief financial officer (CFO) needs in developing normal financial activity. A company is an organization where funds are obtained from the activity of the company (internal financing) and from shareholders and other contributors (external financing) and funds are used to invest in fixed assets and current assets and reward external sources of funds and debt service. According to Suárez (2005, p. 28), "A company can be regarded as a series of investing and funding decisions". In both types of financial decisions, the objective is to create value and to maximize the wealth of the owners. Although one should always seek the lowest cost funding and invest in the most profitable assets, in an efficient capital market higher return is associated to higher risk. Therefore, it is necessary to find the risk-return ratio that best fits shareholders and other sources of funding. The Investment Theory course deals with the analysis and evaluation of investment projects. To that end, in addition to the basic criteria of valuation of investments, we study the risk-return relationship of financial assets, portfolio management and the CAPM valuation model to find the required yield on an investment with a given level of risk. To be able to follow class explanations and understand the concepts it is necessary that students have a basic knowledge of Statistics, Financial Accounting and Financial Mathematics.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

Relationship with other subjects of the same degree:

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements:

In order to follow class explanations and understand the concepts of the subject it is required that students have a basic knowledge of Statistics, Financial Accounting and Financial Mathematics.

OUTCOMES

1313 - Degree in Business Management and Administration

- Demonstrate capacity for analysis and synthesis.
- Have organisation and planning skills.
- Demonstrate oral and written communication skills in the native language.
- Be able to use ICTs in the field of study.



- Be able to analyse and search for information from different sources.
- Be able to solve problems.
- Be able to make decisions.
- Be able to transmit and communicate complex ideas and approaches to both specialised and lay audiences.
- Have critical and self-critical capacity.
- Be able to learn autonomously.

LEARNING OUTCOMES

- Being able to assess different types of investment that a company may undertake and understanding the relationship between investment and financing decisions.
- Ability to perform analysis of business investment projects.
- Ability to analyze different methods of investment evaluation using spreadsheets to define a range of possible returns of the project.
- Ability to establish and develop viable investment policies and appropriate funding strategies.
- Ability to manage portfolios with the use of specific tools and with a thorough understanding of the formation of market prices

DESCRIPTION OF CONTENTS

1. CORPORATE FINANCIAL MANAGEMENT

1. Finance in the firm.
2. Assets and Liabilities structure: financial equilibrium.
3. Corporate financial management objectives.

2. INVESTMENT DECISIONS

1. The idea of investment.
2. Financial characteristics of an investment.
3. Cash flow determination.

3. NET PRESENT VALUE

1. How capital markets reconcile preferences for current vs. future consumption.
2. Investment opportunities and the creation of value. Fisher's theorem.
3. Net Present Value (NPV).



4. OTHER INVESTMENT DECISION CRITERIA

1. Internal Rate of Return (IRR).
2. Other investment assessment models
3. Ranking investment projects

5. RISK INVESTMENT ANALYSIS

1. Adjusted discount rate.
2. Sensitivity analysis.
3. Decision trees.

6. RETURN AND RISK

1. Expected return, variance and covariance for individual securities.
2. The return and risk for portfolios.
3. Diversification. Systemic and unsystemic risk.

7. PORTFOLIO SELECTION AND PRINCING

1. Portfolio Selection: Markowitzs and Tobins models.
2. Equilibrium in the capital markets: the CAPM.
3. Valuation of financial assets and investment in real assets.

WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Study and independent work	90,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

- The lectures consist of discussion of subjects included in the syllabus. Student participation and contribution to class debate is highly valued.
- The practice sessions will consist of solving exercises and real life cases.



EVALUATION

- Continuous assessment is should be understood as a natural process of acquiring competences and knowledge that converges and condenses in a final exam.
- The final exam will consist of multiple choice questions and/or some open questions, theoretical and practical.
- To pass the course, it is required to obtain a passing grade in the final exam.

REFERENCES

Basic

- BLANCO, F.; FERRANDO, M.; MARTÍNEZ (2015): Teoría de la Inversión. Pirámide.
- FERRANDO, M.; GÓMEZ, A.R.; LASSALA, C.; PIÑOL, J.A.; REIG, A. (2005): Teoría de la Financiación I. Modelos CAPM, APT y aplicaciones. Pirámide
- BERK, J; DeMARZO, P. (2008): Finanzas corporativas. Pearson
- BREALEY, R.; MYERS, S.; ALLEN, F (2010): Principios de finanzas corporativas. McGraw Hill.

ADDENDUM COVID-19

This addendum will only be activated if the health situation requires so and with the prior agreement of the Governing Council

GADE

1. Continguts / Contenidos

Es mantenen tots els continguts inicialment programats en la guia docent, adaptant els temes no explicats presencialment a la metodologia docent no presencial.

Se mantienen todos los contenidos inicialmente programados en la guía docente, adaptandolos temas no explicados presencialmente a la metodología docente no presencial.

2. Volum de treball i planificació temporal de la docència

2. Volumen de trabajo y planificación temporal de la docencia

Gran part del temari s'ha impartit a través de les classes presencials. La part restant es substitueix per docència no presencial, mantenint proporcionalment el volum de treball establert en la guia acadèmica.



Es realitzen classes/tutories amb el suport que cada professor considera més adequat(material escrit, fòrums en aula virtual, videoconferències, vídeos gravats, àudios, correuselectrònics, etc.).

Gran parte del temario se ha impartido a través de las clases presenciales. La parte restante se sustituye por docencia no presencial, manteniendo proporcionalmente el volumen de trabajo establecido en la guía académica.

Se realizan clases/tutorías con el soporte que cada profesor considera más adecuado(material escrito, foros en aula virtual, videoconferencias, videos grabados, audios, correoselectrónicos, etc.).

3. Metodología docente

3. Metodología docente

Cada professor utilitzarà la metodologia que millor s'adapte al seu mètode de treball i a les seues possibilitats tècniques, podent triar entre una àmplia gamma de recursos disponibles:activitats a l'aula virtual, diapositives amb àudio i/o vídeo, conferències en streaming o endiferit, enllaços web, fòrums, explicacions teòriques i problemes resolts en diferents suports(documents de text, fulls de càlcul, vídeos, etc.), tutories online o a través del correuelectrònic, etc.

Cada profesor utilizará la metodología que mejor se adapte a su método de trabajo y a sus posibilidades técnicas, pudiendo elegir entre una amplia gama de recursos disponibles:actividades en el aula virtual, diapositivas con audio y/o video, conferencias en streaming o endiferido, enlaces web, foros, explicaciones teóricas y problemas resueltos en distintos soportes(documentos de texto, hojas de cálculo, videos, etc.), tutorías online o a través del correo electrónico, etc.

4. Avaluació

4. Evaluación

El pes relatiu de l'avaluació contínua i de l'examen final s'ha matisat respecte al que s'estableixen la guia docent. D'una banda, es determina un pes del 20% per a l'avaluació contínua, que podrà estar constituïda per una o diverses proves dirigides per cada professor a través d'aula virtual (qüestionari online, activitats i exercicis a resoldre a casa per a lliurar com a tasca, etc.).

D'altra banda, es determina que el pes de l'examen final serà del 80% i es realitzarà mitjançant un qüestionari online d'aula virtual.

El peso relativo de la evaluación continua y del examen final se ha matizado respecto a lo establecido en la guía docente. Por una parte, se determina un peso del 20% para la evaluación continua, que podrá estar constituida por una o varias pruebas dirigidas por cada profesor a través de aula virtual (cuestionario online, actividades y ejercicios a resolver en casa para entregar como tarea, etc.). Por otra parte, se determina que el peso del examen final será del 80% y se realizará mediante un cuestionario online de aula virtual.



5. Bibliografia

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La bibliografia de la guia docent original es complementarà amb els materials addicionals necessaris: diapositives amb àudio i/o vídeo elaborades pel professor, enregistraments de classes en BlackBoard Collaborate, documents en diferents suports amb explicacions detallades i problemes resolts, etc.

La bibliografía de la guía docente original se complementará con los materiales adicionales necesarios: diapositivas con audio y/o video elaboradas por el profesor, grabaciones de clases en BlackBoard Collaborate, documentos en distintos soportes con explicaciones detalladas y problemas resueltos, etc.