COURSE DATA

Data Subject

Code	35805
Name	Investment theory
Cycle	Grade
ECTS Credits	6.0
Academic year	2022 - 2023

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
BEL OMS, INMACULADA	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 evaluation**: This part will consist of activities of various types (written tests, assignments, class participation, etc.) that each teacher deems appropriate. It will have a weighting of **20%** of the overall grade of the course.

As established in Article 6 of Procedure and evaluation criteria of the UV Evaluation and Grading Regulations approved by the Governing Council of May 30, 2017: "In the case of attendance requirements for some type of teaching activity, it must be considered that the student has fulfilled it if he/she has attended a minimum of 80% of the hours of this activity and has adequately justified the impossibility of attending the remaining sessions due to the concurrence of a cause of force majeure". It will be up to the discretion of each teacher to require or not the attendance to the classes in order to be assessed within the continuous evaluation, always in accordance with the above mentioned Regulations.

Given the finalist nature of the continuous evaluation, it will not be recoverable in the first call. However, it will be recoverable in second call, by means of the Final Exam, in which it will be possible to obtain up to a maximum score of 10 points.

- **Final exam**: it will consist of a set of multiple-choice questions combining theory and practice. It will have a weighting of **80%** of the overall grade of the course.

In any case, **it will be an essential requirement to have passed the Final Exam in order to compute the grade obtained in the continuous evaluation**. If the student does not pass the Final Exam in the first call, the grade of the continuous evaluation can be saved for the second call (as long as the student has obtained at least 1 point out of the 2 possible points that can be obtained) as long as it benefits the student.

The grading system will be expressed by means of a numerical grade in accordance with Article 5 of R.D. 1125/2003, of September 5, which establishes the European credit system and the grading system in university degrees of an official nature and valid in the national territory.

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.