

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

Code	35806
Name	Theory of finance
Cycle	Grade
ECTS Credits	6.0
Academic year	2017 - 2018

Study (s)

Degree	Center	Acad. year	Period
1313 - Degree in Business Management and Administration	Faculty of Economics	3	First term
1330 - Degree in Business Management and Administration (Ontinyent)	Faculty of Economics	3	First term
1921 - D.D. in Business Management Administration-Law	Doubles Studies Faculty of Law - Faculty of Economics	4	First term
1926 - D.D. in Tourism-Business Management Administration	Faculty of Economics	4	First 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	5 - Year 4 compulsory subjects	Obligatory
1926 - D.D. in Tourism-Business Management Administration	5 - Asignaturas de cuarto curso	Obligatory

Coordination

Name	Department
PIÑOL ESPASA, JOSE AGUSTIN	172 - Business Finance



SUMMARY

Finance Theory course is taught in the third year, first semester, of the Degree in Business Administration from the University of Valencia.

It is part of the subject Principles of Financial Management, and includes part of the body of knowledge needed to carry out the financial management of any company. Specifically, it deals with the description, analysis and evaluation of corporate financing instruments both internal (self-financing) and external (stocks, bonds ...) and major decisions such as financing (debt policy and dividend policy). Moreover, given the overall objective of the financial management of the company (ie, maximize the market value of the company to the shareholder), is essential to interrelate investment decisions (in the subject studied Investment Theory of 2nd year) with funding decisions (themselves the subject that concerns us). All this in the field of financial core benchmarks: risk-return ratio, portfolio management and CAPM model, in order to meet the minimum return required to be a productive investment given its level of risk, and therefore maximum financing costs ("cost of capital") that must be endured with such investment.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

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

Other requirements

It is strongly recommended to have previous knowledge of Investment Theory, Statistics (basics), Financial Accounting and Financial Mathematics.

OUTCOMES

1313 - Degree in Business Management and Administration

- Demonstrate capacity for analysis and synthesis.
- Have organisation and planning skills.
- 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 work in a team.
- Manage time effectively.
- Be able to learn autonomously.
- Be able to adapt to new situations.



LEARNING OUTCOMES

Concerning Principles of Financial Management:

- Clearly distinguish the different types of investments.
- Ability to perform analysis of business investment projects.
- Ability to analyze different methods of investments using spreadsheet.
- Ability to establish and develop viable investment and financing policies.
- Ability to design a optimal debt policy.
- Ability to design optimal payout policy.
- Ability to manage portfolios using key tools in asset valuation.

DESCRIPTION OF CONTENTS

1. UNIT 1. INTERNAL FINANCING

1. Funds that companies generate internally.
2. Depreciation.
3. Retained earnings.

2. UNIT 2. EXTERNAL FINANCING

1. External financing and Financial System.
2. Issuing Securities.
3. Other financing sources.

3. UNIT 3. VALUATION OF SECURITIES ISSUED BY FIRMS

1. Stock valuation. Growth model
2. Rights valuation.
3. Bond valuation.

4. UNIT 4. CAPITAL STRUCTURE, RISK AND OPPORTUNITY COST OF CAPITAL

1. Capital Structure of the firm. Leverage.
2. Profitability. Economic risk and financial risk.
3. Risk determinants. Opportunity cost of capital.



5. UNIT 5. BORROWING POLICY

1. The borrowing policy of the firm.
2. The borrowing policy of the firm with perfect capital markets.
3. The policy of the firm with non-perfect capital markets.

6. UNIT 6. PAYOUT POLICY

1. The payout policy of the firm.
2. The payout policy of the firm with perfect capital markets.
3. The payout policy of the firm with non-perfect capital markets.

7. UNIT 7. INVESTMENT AND FINANCING DECISIONS INTERRELATIONSHIP. VALUING THE FIRM

1. Value creation at the company.
2. Financial flows within the company.
3. Enterprise value and interrelated decisions.

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

- During theoretical classes, professor will explain the subject. It will be considered student's participation, asking pertinent questions, and discussing, after reading, the concepts being studied.
- During practice classes, professor will solve, with student's participation, some exercises of the collection provided. Part of these exercises must be solved at home by the students. Also interested in business reality.

EVALUATION

- Continuous assessment: understood as a learning process of acquisition of competences and knowledge that is confirmed with a final exam.
- Final exam: consists of a set of multiple choice questions and /or several open questions that will cover both theory and practice.
- To pass the course, a passing grade must be obtained in the final exam



REFERENCES

Basic

- BERK, J.; DeMARZO, P. (2008): Finanzas corporativas. Pearson.
- BERK, J.; DeMARZO, P.; HARDFORD, J. (2010): Fundamentos de finanzas corporativas. Pearson.
- BLANCO, F.; FERRANDO, M.; MARTÍNEZ, F. (2007): Dirección financiera I: selección de inversiones. Pirámide.
- BREALEY, R.; MYERS, S.; ALLEN, F. (2010): Principios de finanzas corporativas. McGraw Hill.
- FERRANDO, M.; GÓMEZ, A.R.; LASSALA, C.; PIÑOL, J.A.; REIG, A. (2005): Teoría de la financiación I: modelos CAPM, APT y aplicaciones. Pirámide.
- GOMEZ, A.R.; PIÑOL, J.A.; REIG, A.; RODRIGO, A. (2006): Teoría de la financiación II: OPT, estructura de capital y dividendos. Pirámide.
- LASSALA, C.; MEDAL, A.; NAVARRO, V.; SANCHIS, V.; SOLER, A. (2006): Dirección financiera II: medios de financiación empresarial. Pirámide.
- ROSS, S.; WESTERFIELD, R.; JAFFE, J. (2010): Corporate Finance. Mc Graw Hill, 9th ed.