



## COURSE DATA

### Data Subject

<b>Code</b>	35806
<b>Name</b>	Theory of finance
<b>Cycle</b>	Grade
<b>ECTS Credits</b>	6.0
<b>Academic year</b>	2021 - 2022

### 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 - Double Degree Program BMA and Law	Faculty of Economics	4	First term
1926 - Double Degree Program Tourism and BMA	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 - Double Degree Program BMA and Law	5 - Year 4 compulsory subjects	Obligatory
1926 - Double Degree Program Tourism and BMA	5 - Asignaturas de cuarto curso	Obligatory

### Coordination

Name	Department
GOMEZ CALVET, ANA ROSA	172 - Business Finance



## SUMMARY

Finance Theory course 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) with funding decisions (themselves the subject that concerns us).

## 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.

## COMPETENCES (RD 1393/2007) // LEARNING OUTCOMES (RD 822/2021)

### 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 (RD 1393/2007) // NO CONTENT (RD 822/2021)**

Concerning Principles of Financial Management:

- Clearly distinguish the different types of financing that a company can carry out and understand the relationships between investment and financing decisions.
- Ability to analyze business financing projects.
- Possibility of establishing and developing viable investment and financing policies appropriate to business strategies.
- Ability to design a debt policy for the company.
- Ability to design the optimal dividend policy based on the circumstances of the company.

## **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. TOPIC 3 - OWN EXTERNAL FINANCING. SHARES AND SUBSCRIPTION RIGHTS VALUATION**

1. External financing through issue of shares.
2. Stock valuation. Constant dividend model and increasing dividend model.
3. Valuation of subscription rights.

### **4. TOPIC 4 - FINANCING WITH EXTERNAL FUNDS. BOND VALUATION**

1. External financing through the issuance of bonds / obligations.
2. Valuation of bonds/obligations. Issuance over par, par and under par. Dynamic behavior of the price of bonds /obligations
3. Other sources of business financing.



## 5. UNIT 5. 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.

## 6. UNIT 6 - BORROWING POLICY

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

## 7. UNIT 7. 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.

## 8. UNIT 8 - 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
<b>TOTAL</b>	<b>150,00</b>	

## 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: it must be understood as referring to a natural process of successive acquisition of skills and knowledge that converges and condenses in a final exam. It can be implemented through thematic questionnaires and course work. Weight: 25%.
- Final exam: it will consist of a set of test-type questions and / or several open questions, combining theory and practice. Weight: 75%. Essential condition to pass the exam: obtain a minimum of 3.5 points (out of 10) both in theory and in practice.
- To pass the subject, you must pass 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.
- GÓMEZ, 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.

## ADDENDUM COVID-19

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

This addendum would be applied only if necessary, as established by the university authorities based on the evolution of the pandemic.

**1. Contents.** Where appropriate, the contents initially programmed in the teaching guide would be maintained, adapting the topics that could not be explained in person to the non-classroom teaching methodology.



**2. Volume of work and temporary planning.** Topics that, where appropriate, could not be explained through face-to-face classes would be implemented through non-face-to-face teaching, maintaining proportionally the volume of work established in the teaching guide. The schedule would be adapted to the evolution of the events.

**3. Teaching methodology.** Where appropriate, the one that best suits the working method and technical possibilities would be used, being able to choose from a wide range of available resources: activities in the Virtual Classroom (<https://aulavirtual.uv.es>), live conferences or delayed, web links, forums, theoretical explanations and problems solved in different supports (text documents, spreadsheets, presentations ...), online or email tutoring.

The modality of classes for students will depend on the social and health conditions and the restrictions established by the competent authorities.

In the case of online teaching, classes will be given by videoconference, preferably synchronous, using Blackboard Collaborate, Teams, Skype or the tool that the lecturer considers appropriate to optimize the student's teaching-learning process during the scheduled program sessions, which remain the same days and times.

In the case of face-to-face teaching, students shall attend classes during the established timetable, in classrooms and the limit established by the competent authority is not exceeded

**4. Evaluation.** Where appropriate, the continuous evaluation would be adapted proportionally to the situation of non-attendance, acquiring greater weight in the global evaluation (it may even constitute 100%) and being implemented through tests in the Virtual Classroom. The final exam is expected to be face-to-face; however, in the event that the university authorities establish that it is impossible to conduct it in person, it would be carried out using a Virtual Classroom questionnaire and its weight would be adapted to that required by the continuous evaluation.

**5. Bibliography.** Where appropriate, the bibliography would be complemented with sources of consultation on the Internet, giving priority to free material.